Confidential

OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios

Confidential

ER 77-10517
August 1977

Copy 2

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

Classified by 015319
Exempt from General Declassification Schedule
of E.O. 11652, exemption category:
Sec. 5B(1), (2), and (3)
Automatically declassified on:
date impossible to determine

OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios

Central Intelligence Agency
Directorate of Intelligence

August 1977

Summary

The Outlook

Demand in the OECD area, particularly in Western Europe, appears too sluggish to return the developed countries to their historical long-term growth paths, at least through 1978. Indeed, unless government policies change considerably in coming months, this year's anticipated 4.2-percent growth of real GNP will barely be exceeded in 1978.

Among the larger industrial countries, the United States and Japan should experience relatively vigorous growth well into 1978. The important West German economy, expected to be boosted by a stimulation package this fall, next year should exceed the 4.0-percent rise in GNP likely for 1977. Among the other major developed nations, France and Italy seem likely to repeat their low 1977 growth rates; Canada and Britain should do somewhat better next year. The smaller OECD members may top their expected 3.1-percent rise in national output for 1977 by a little, helped by the continuing increase in demand in the larger industrial countries.

While total domestic demand in the major foreign developed nations should strengthen next year, gains will be spotty. In France and Britain, an acceleration in real wage gains is expected to spur private consumption. In most of the six largest foreign economies, excess capacity, relatively slow monetary growth, and increasing uncertainties about future economic conditions and hence profitability seem to be preventing any strong upturn in investment. Gross fixed business spending probably will only edge up at close to 1977 rates next year, except in Britain and Canada, where improvements in underlying business conditions could help firms make moderate increases in capital outlays. While foreign balances should add a little to

growth in most countries next year, inventory changes will make negative contributions, especially in West Germany.

Economic policy remains cautious throughout the OECD area, and only a few significant changes are expected in coming months. Notably, Bonn and Tokyo are both apt to up their stimulative efforts later this year. Bonn, concerned about growth and employment prospects, probably will cut taxes and reinstitute an investment tax credit this fall. Tokyo is likely to pass a $4 billion supplementary budget later this year to extend the acceleration in public outlays under way since last April.

Few policy changes appear to be in the cards for 1978. Regardless of the outcome of the French parliamentary election, Paris seems likely to switch to a more expansionary stance. A leftist government undoubtedly would stress consumption in contrast to the investment stimulus a center-right coalition would favor; both groups probably would allow increases in wage rates to accelerate. Among the smaller OECD countries, Turkey and Belgium are prime candidates to tighten policy considerably.

Unless economic policy becomes more expansive, unemployment seems likely to persist at high levels through 1978, and even to rise in some countries. Not enough new jobs will be created to absorb growth in labor forces. Manpower programs introduced by many governments will reduce joblessness in some sectors yet will be insufficient to solve the general unemployment problem.

Although demand will be sluggish, inflation seems likely to remain at high levels: (a) steady increases in oil prices almost certainly will continue; and (b) the lower productivity gains associated with slower economic growth mean that a greater share of wage hikes is being passed on in the form of higher prices. Spain, Turkey, and Iceland should continue to lead the OECD area in price increases next year. On the other hand, Italy and Britain may reap the rewards of current austerity programs in the form of lower inflation rates.

International payments problems will prove troublesome to many OECD countries again next year, especially the smaller European members. The smaller developed countries as a group probably will see their 1978 current-account deficit grow almost $1 billion from this year's $15 billion shortfall. Spain, Turkey, and Norway all are expected to run current-account deficits of $3 billion or more in both 1977 and 1978. Of these three, Turkey, with creditors already leery, probably will encounter serious fi-

nancing problems and have to restrict import growth. Other countries will press Japan and West Germany to reduce their big current-account surpluses. Unless Tokyo and Bonn are willing and able to cut their surpluses substantially, protectionist sentiment will mount, especially in Europe.

Key Uncertainties

This report was discussed in detail at a meeting with representatives of the Departments of State and Treasury, the Federal Reserve Board, and the Council of Economic Advisers. During the course of the discussion, a number of key uncertainties which could cause economic trends to deviate from our baseline forecast were identified.

Examination of prevailing uncertainties suggests that our projections of economic performance in 1977-78 are more likely to err on the high side than on the low. The likelihood of lower-than-anticipated economic growth is particularly high in both France and Britain. In France, our 1978 forecast hinges on the assumption that a victorious Francois Mitterrand would keep the Communists in line and pursue a moderate policy course, only slowly implementing the Common Program of the leftist alliance. If the more radical factions in the alliance exert greater influence than we expect, rapid deterioration in public confidence and massive capital flight probably would lead to lower GNP growth than forecast.

In Britain, we assume that the leaders of the Trades Union Congress will talk the unions into accepting only moderately larger wage gains now that pay controls have expired. A wage explosion, spurred by rank-and-file restiveness, would alter both GNP and its components—pushing consumption up and investment down. It might provoke more restrictive policy measures.

As for prospects for faster-than-expected growth, these hinge on the much less likely chance of government stimulation beyond the packages we expect this fall in Japan and West Germany. We conducted an exercise to analyze the domestic and international impact of increased stimulation by Bonn and Tokyo in 1978. For West Germany, we investigated the effects of two hypothetical government packages: (a) one in which Chancellor Schmidt increases the size of the stimulative package expected this fall, by cutting income tax rates an additional 5 percent; and (b) a second in which Schmidt sponsors an increase in government consumption that would boost GNP growth 0.5 percent. For Japan, we examined the effects of a high-option supplemental budget. Under this scenario, which has been discussed by business and some officials in Tokyo, roughly $7 billion would be injected

into the economy over and above the $4 billion built into our baseline forecast.

The results of our exercise indicate that increased West German stimulation under either of the two posited scenarios would add only a little to growth in Europe but would substantially aid trade balances of countries with serious payments problems—notably France, Italy, and the smaller developed nations. On the other hand, increased stimulation by Tokyo would help the weaker OECD countries little; most of the trade benefits would accrue to the relatively strong US economy. Thus, reductions in trade barriers would seem a more effective way for Tokyo to aid other industrial countries. Under none of the scenarios did the risk of accelerated inflation appear to be excessively high.

While additional stimulation by Japan and West Germany would add only a little to world GNP growth, it would relieve the balance-of-payments constraint on other governments. As current-account pressures eased, some governments might opt to stimulate their domestic economies. Assuming all nations increased government outlays by an amount equal to the current-account improvements induced by high-option Japanese and German stimulation programs, the growth impact would be roughly double that of Bonn and Tokyo acting alone.

CONTENTS

OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios

Recent Economic Developments

Demand in the OECD[1] area remained weak in early 1977. Output growth was relatively strong in the first quarter but appears to have petered out in many countries more recently. Although first half GNP growth probably was up in a few key countries, in many it just matched late 1976 rates, which were generally dismal. For the seven largest countries, which account for 85 percent of the area's output, growth in second half 1976 had crumbled to only 3.2 percent as stock accumulations tapered off, consumer spending softened, and government policy became increasingly restrictive. Performance also had faltered in many smaller OECD countries, reflecting their trade dependency on the larger industrial nations.

Among the Big Seven, the United States and Japan made the strongest economic showing in first half 1977.

Table 1

Big Seven: Real GNP

Percent Change from Previous Period at Annual Rate [1]

	Actual			CIA Estimate
	2nd Half 1975	1st Half 1976	2nd Half 1976	1st Half 1977
Big Seven	5.8	6.8	3.2	4.9
United States	8.0	6.4	3.5	5.6 [2]
Japan	4.8	8.8	2.8	7.6
West Germany	4.5	7.3	3.1	3.8
France	4.9	6.2	3.5	2.8
United Kingdom	−2.9	3.9	1.8	−1.2
Italy	0.8	9.0	3.9	4.0
Canada	3.9	6.9	0.8	4.7

[1] Seasonally adjusted.

[2] Preliminary Department of Commerce data.

[1] By descending order of GNP, the OECD countries are: the United States, Japan, West Germany, France, the United Kingdom, Italy, Canada, Spain, the Netherlands, Australia, Sweden, Belgium, Switzerland, Austria, Turkey, Denmark, Norway, Finland, Greece, Portugal, New Zealand, Ireland, Luxembourg, and Iceland.

• The *United States* economy posted a strong 5.6-percent growth in first half 1977. While first quarter gains were concentrated in private consumption, second quarter growth was more broadly based. The April-June advance was propelled by strong increases in government spending, residential construction, and net exports of goods and services. Private consumption growth eased somewhat as consumers rebuilt their savings; with savings rates now closer to normal, healthier household spending is expected later this year.

• In *Japan*, real GNP growth rebounded sharply to an estimated 7.6-percent annual rate largely on the strength of exports and fiscal stimulus. Export volume expanded a hefty 21.5 percent in the first three months and was expected to rise at a 12.5-percent annual clip in the next three. Public investment outlays rose at a 20-percent annual rate in the first quarter, and a speed up in contract awards signaled continued high spending in the second.

• In *West Germany,* GNP probably has been rising at less than a 4-percent annual rate due to lower-than-expected export gains and weak investment spending, which have slowed growth in private demand. Fiscal policy also has dampened economic activity; during the first five months federal expenditures rose only 2 percent, while tax receipts climbed close to 10 percent. Bonn's infrastructure program is not expected to come on line until second half 1977.

• *France* experienced a continuing slowdown in early 1977, with GNP probably rising at less than a 3-percent annual rate. Stagnant private consumption is the main culprit; consumer spending in the second quarter is believed to have fallen below first quarter levels, something not experienced even during the past recession.

• The *United Kingdom* actually suffered a drop in GNP in first half 1977, largely due to the depressive impact of strict wage controls on private consumption. Investment also declined, reflecting cuts in government construction outlays. Only involuntary stockbuilding, weakened import demand, and increased North Sea oil production held the growth decline in check.

• *Italy* chalked up a surprising 4-percent increase in GNP in the first half, as part of the spurt in economic activity of fourth quarter 1976 spilled over. Demand weakened over the six-month period, however, as indicated by a steady decline in Rome's

composite index of leading economic indicators and a recent downturn in industrial production.

- In *Canada*, the first quarter comeback in output growth was due to the performance of exports—primarily to the United States—and increased government spending. While export growth eased in the second quarter, efforts to replenish depleted inventories helped to keep Canada on a moderate growth path.

Demand has not been buoyant enough to check the rise in unemployment, particularly in Western Europe. Although total employment has grown slightly, the gains are far short of those needed to offset continued increases in labor forces. In first quarter 1977, unemployment was up in almost every OECD country, with the number of workers seeking jobs 7 percent above levels of a year earlier. Preliminary midyear data show the jobless rate still on the rise in West Germany, France, the United Kingdom, and Canada. Indeed, of the major developed countries, only the United States has managed to make a dent in unemployment.

Inflation throughout the area also remains stubbornly high. About one-half of the OECD members continue to experience double-digit rates. Only three countries—the United States, West Germany, and Switzerland—have brought inflation down to under 6 percent. The early 1977 acceleration in OECD consumer prices should wash out by yearend, as pressures from international commodity prices and food prices abate.

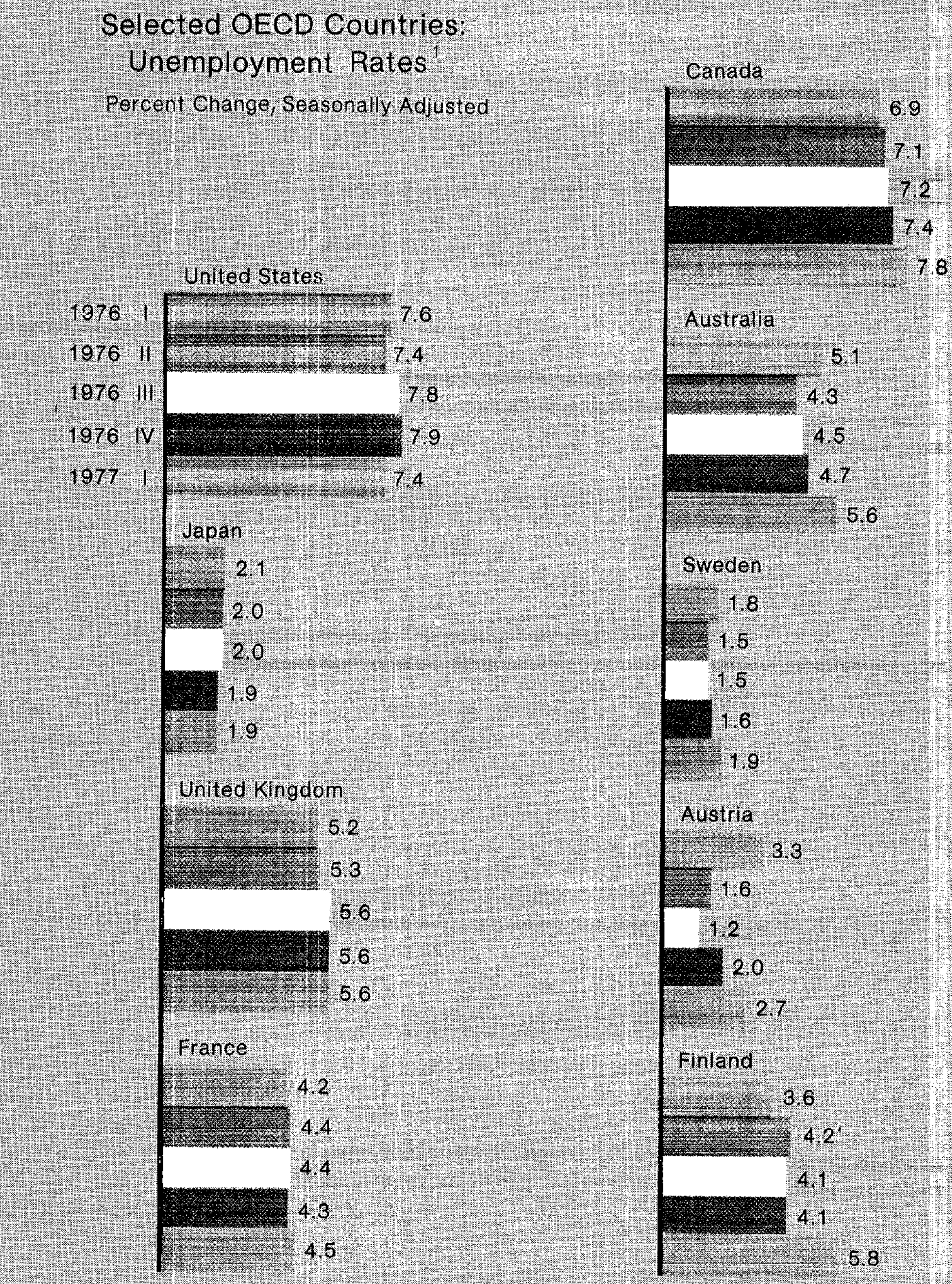
Balance-of-payments problems persist in many countries. Only a handful of countries—Japan, West Germany, the Netherlands, Belgium, Luxembourg and Switzerland—continue to have current-account surpluses.[2] A few countries, most notably the United Kingdom and Italy, have improved their current balances so far this year. Most, however, continue in large deficit. Turkey, teetering precariously on the edge of a foreign exchange crisis, has the most acute problem. Persistent current-account deficits have drained its reserves and lowered its credit rating; most lenders simply are not willing to increase their exposure vis-a-vis Ankara.

Economic Policy in 1977

Caution in government economic policy remains widespread, and only small adjustments are expected through yearend. Policymakers in most OECD countries continue to be more concerned with persistent high infla-

[2] In this report, the current account includes goods, services (including reinvested earnings), and private transfers based on IMF definitions; public transfers are excluded. For detailed information on both current account definitions and the value of public transfers in 1975-76, see appendix B.

Figure 1



1. Data are not comparable across countries.

573792 8-77

CONFIDENTIAL

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

Table 2

OECD Countries: Consumer Prices

Percent Change over Previous Period

	1975	1976	1976[1] I	1976[1] II	1976[1] III	1976[1] IV	1977[1] I
Big Seven							
United States	9.1	5.8	4.0	5.1	6.5	4.4	5.9
Japan	11.1	9.3	9.4	13.5	5.0	10.3	9.4
West Germany	5.9	4.5	6.9	6.2	.3	2.0	4.0
France	11.7	9.6	10.0	9.5	9.5	10.6	9.6
United Kingdom	24.2	16.6	12.2	14.9	12.0	17.1	16.5
Italy	17.0	16.8	15.9	27.8	11.0	30.3	20.3
Canada	10.8	7.5	5.2	6.3	5.9	6.1	6.8
Other							
Australia	15.1	13.6	12.4	10.6	9.1	26.2	13.6
Austria	8.5	7.3	12.1	7.2	5.6	4.0	6.4
Belgium	12.8	9.2	8.8	8.0	7.9	6.7	7.8
Denmark	9.6	8.7	8.1	1.9	3.8	13.0	8.9
Finland	17.7	14.4	16.1	8.6	15.1	10.3	12.0
Greece	13.4	13.3	12.1	16.1	−1.4	20.7	11.1
Iceland	48.5	32.8	13.7	54.3	30.8	29.8	34.2
Ireland	20.9	18.0	32.7	27.2	6.2	18.0	16.6
Luxembourg	10.8	9.8	10.7	9.3	6.4	7.3	8.1
Netherlands	10.2	8.8	7.1	14.0	2.7	10.5	7.4
New Zealand	14.7	17.0	18.9	19.3	13.2	11.6	13.6
Norway	11.7	9.2	10.8	10.5	10.2	2.4	9.0
Portugal	15.3	19.3	41.4	−1.4	22.0	47.2	23.9
Spain	16.9	17.7	17.2	31.0	12.2	19.6	28.0
Sweden	9.8	10.0	10.3	10.9	8.4	11.7	10.8
Switzerland	6.7	1.7	1.9	−0.8	1.6	1.4	1.0
Turkey	19.2	17.3	15.9	19.7	10.4	23.2	14.8

[1] Not seasonally adjusted; at annual rates.

tion and with balance-of-payments problems than with production and unemployment. Of the seven largest OECD countries, France, Britain, Italy, and Canada probably will maintain restrictive economic programs through December. The United States and Japan will actively pursue expansion, while West Germany probably will give its slightly expansionary program a small boost.

France is likely to continue on a moderately restrictive economic policy path. Prime Minister Barre is determined to reduce inflation and to prevent the French economy from falling into an inflation/devaluation spiral as in Italy and Britain. He has indicated that a major reflation package is not in the cards despite considerable political pressure. Barre firmly believes that his current policy will dampen inflation before the March 1978 elections and

thus help return the present coalition to power. For the rest of 1977, Paris probably will:

- Continue to pressure business and labor to keep wage increases down.
- Pursue a tight monetary policy.
- Maintain efforts to restrict public spending increases.
- Deal with unemployment through selective aid programs, especially for youth.

Paris may also implement for the first time the anti-inflation tax, which would penalize business for allowing excessive wage and price increases.

Even if the Callaghan government falls, the *United Kingdom* is apt to stick with its relatively restrictive policy. The Tories generally endorse the fiscally conservative policies of current Chancellor of the Exchequer Denis Healey. In accordance with conditions set by the IMF for a $3.9 billion standby credit, London now intends to cut real public spending by 2 percent in the 1977-78 fiscal year. The Bank of England shows every sign of holding to a growth range of 9 to 14 percent for the money supply. The Bank already has extended the "corset" that controls the growth of interest-bearing bank liabilities for an additional six months.

Continued austerity to reduce inflation and the payments deficit is in store for *Italy*. The minority Christian Democratic government of Prime Minister Andreotti is carrying through with a $6 billion program of tax hikes and increases in public service charges instituted last winter. Andreotti recently negotiated a mandate for another dose of austerity with the Communists and some of the smaller Italian parties. The multiparty agreement signed on 4 July calls for ceilings on public spending and another increase in the real tax burden in 1978. Meanwhile, monetary policy is being kept tight as part of Rome's loan agreement with the IMF.

Prime Minister Trudeau of *Canada* is hesitant to make any major shifts in his moderately restrictive economic policy stance for fear of exacerbating regional political tensions, especially with Quebec. Despite mounting political pressures to reduce unemployment, he remains intent on curbing domestic inflation and probably will hold to his two-year-old wage and price control program at least through yearend. Almost no increase in real government spending is planned this year, while growth in the narrow money stock will be only about 7 percent.

Policymakers in *West Germany* remain convinced that large-scale economic stimulation would add to inflation without having much effect on unemployment, which they believe results mainly from structural weaknesses. [redacted] 25X6 25X6

25X6 [redacted] In adhering to its slightly expansionary stance, the government has budgeted expenditures to rise somewhat faster this year, reflecting in part a $1.5 billion first installment of a multiyear infrastructure program, which is currently running behind schedule.

[redacted] 25X6

25X6 [redacted] Germany's Growth and Stability Law allows the Chancellor to cut personal and corporate income taxes up to 10 percent and to introduce up to a 7.5-percent investment tax credit by government ordinance for one year if the economy is in disequilibrium. Thus, passage of such measures could avoid both the legislative delays and the cumbersome amendments faced by normal tax legislation. [redacted] 25X6 25X6

25X6 [redacted] we feel that the size of the new stimulative package will fall short of the legal maximum. Specifically, we assume that:

- Individual and business income taxes will be cut 5 percent effective 1 September 1977.
- A 7.5-percent investment tax credit will come on line 1 January 1978.
- Growth in federal government consumption expenditures will be upped one percentage point from 7.5 percent presently planned for next year, while German regional governments will ignore Finance Minister Apel's appeal for increased local outlays.
- Union leaders, in exchange for lower taxes, will moderate their wage demands somewhat.

The impact of any additional stimulus introduced in the fourth quarter of this year, however, will not be felt until early 1978.

In part to blunt criticism of *Japan's* large international surplus, Prime Minister Fukuda is pursuing a program of moderate stimulation. In the fiscal year starting 1 April 1977, the budget deficit is scheduled to rise considerably, to $29 billion or 4 percent of GNP. Public works expenditures are being hiked substantially, and personal income taxes have been cut by $2.4 billion. Because Tokyo recently accelerated the pace of public works spending, it is likely to need a supplemental budget by September. Fukuda reportedly is considering about a $4 billion stimulation package, roughly equivalent to 0.5 percent of GNP, which we have assumed in our baseline forecast of 5.7-percent growth in 1977. Tokyo also will probably jawbone banks into further reductions in long-term interest rates.

Among the 17 smaller OECD members, 12 countries are expected to pursue neutral to restrictive policies through 1977. Spain, Australia, Austria, Finland, New Zealand, and Iceland have all instituted restrictive measures or intend to shortly. The five remaining countries are pursuing slightly to moderately expansionary policies:

- The *Netherlands* is enjoying a natural gas - induced international surplus and relatively low inflation, which are enabling The Hague to emphasize moderate expansion. The government is expected to maintain its policy of holding down public spending growth, though not to the point of crippling the economic recovery under way.

- *Norway's* fiscal and social security budgets are geared to providing a little impetus to growth. Relying on its North Sea wealth, Oslo plans to offset an anticipated decline in export growth by raising domestic demand through personal income tax cuts and increased credit availability.

- Despite a large payments deficit, *Sweden* is locked into expansionary policies. The shaky ruling coalition, the first non-Socialist government in 44 years, is unlikely to reject the Socialists' commitment to full employment. Public expenditures are scheduled to continue upward, and investment subsidies have been extended. Stockholm also plans to continue supporting business inventories, at least until late 1977.

- Though on the verge of a payments crisis, *Turkey* is trying to ignore the need for domestic austerity. Even if Prime Minister Demirel's shaky new coalition eventually accepts some restrictions on demand in return for IMF financing, lengthy negotiations and

the usual lags in implementation ensure no impact this year. Meanwhile, total real government expenditures are likely to rise 20 percent in 1977, feeding both inflation and the payments gap.

- *Greece* is unlikely to deviate from policies geared to achieving a medium-term growth target of 6.5 percent annually. The democratic government of Prime Minister Caramanlis is pursuing this goal as essential to spurring the industrial investment needed to keep Greece competitive once in the European Community.

The 1977 Economic Forecast

If governments stick to their generally restrictive policies as we expect, OECD GNP will likely rise only 4.2 percent this year, down substantially from the 5.2-percent increase posted last year.[3] This forecast is essentially unchanged from our March expectations.[4] In only four countries have our projections changed by more than 1.5 percentage points:

- Our forecast for *Italy* has been revised upward to reflect the effects of stronger-than-expected growth in fourth quarter 1976.

- Our forecast for *Sweden* has been cut back because of slower-than-expected export growth in early 1977.

- In *Portugal* our projections have been upped because government spending is increasing faster than budgeted, while improvement in the business climate is bringing a faster-than-expected recovery in private investment.

- The GNP outlook for *Ireland* has brightened with the recent easing in wage controls.

The decline in growth rates will be most pronounced in the Big Six, where GNP is expected to rise less than 4 percent after increasing 5 percent last year. The United States is assumed to continue its strong first half growth pattern and thus achieve the CEA's forecast of 5.0 percent. The smaller developed countries will fare a little better than in 1976, with GNP

[3] Our forecasts are based primarily on judgments of country experts; they are checked for internal and external consistency. (See appendix C for a detailed methodology.) Forecasts are *presented to the nearest tenth of a percent to show direction and order of magnitude. They are not meant to convey a high degree of precision and must be used cautiously.* Growth rates are calculated using average year data.

[4] See *OECD Countries: The Outlook for 1977 and Potential Impact of Stronger Stimulation*, ER 77-10120, March 1977.

Table 3

OECD Countries: Real GNP

		Percent Change
	1976	CIA Forecast August 1977
OECD	5.2	4.2
Big Seven		
United States	6.1	5.0 [1]
Japan	6.3	5.7
West Germany	5.7	4.0
France	4.8	3.7
United Kingdom	1.8	0.9
Italy	5.6	2.4
Canada	4.6	3.5
Other		
Australia	2.5	2.0
Austria	5.2	4.0
Belgium	2.3	3.0
Denmark	5.5	2.0
Finland	0.3	3.0
Greece	6.0	6.5
Iceland	0	1.7
Ireland	3.5	4.0
Luxembourg	2.3	2.7
Netherlands	4.0	4.4
New Zealand	−3.5	−1.5
Norway	5.7	6.5
Portugal	3.3	5.5
Spain	1.7	2.4
Sweden	1.2	0.9
Switzerland	−0.1	1.2
Turkey	8.1	6.5

[1] Derived from official Council of Economic Advisers estimate of growth between fourth quarter 1976 and fourth quarter 1977.

inching up 3.1 percent, largely as a result of spillover from last year's growth in the larger developed countries.

For the Big Six, the sluggish GNP forecast masks an even gloomier underlying trend. Domestic demand in these countries is expected to expand about 3 percent after rising almost 5 percent last year.

Under the onslaught of wage and price controls in most of the Big Six and higher tax burdens in some, *private consumption*, which accounts for 60 percent of Big Six GNP, is expected to grow only 3.2 percent, compared with 3.7 percent last year. Of the Six, only

West Germany is expected to post a gain in consumer spending, fostered by a 10-percent hike in pension payments in July and increased growth in real wages. In Britain, consumer spending should decline. Despite the termination of rigid pay guidelines and a reduction in personal income taxes, consumer spending during the second half of the year probably will be unable to offset the first half drop.

In line with the cautious policy stance of most Big Six governments, the growth of *public consumption* is expected to slow this year in all of the Six except West Germany and Italy. Public consumption growth should slow the most in Britain due to austerity cuts in overall government spending. To enforce spending ceilings, London will continue to regulate departmental outlays through a system of cash limits. If inflation accelerates, this could lead to forced reduction in public sector employment.

Investment is expected to remain weak, rising only a little more than last year. Excess capacity, slow monetary growth, and increasing uncertainties over future sales are stifling investment growth in most countries; political uncertainties add to the poor business climate in Italy and France. Only West Germany and Japan are expected to post noticeable gains in gross fixed investment. Higher profits and better credit conditions are encouraging German business, while a substantial hike in public works spending is leading Japan's investment growth.

Inventory changes are expected to be basically neutral in the Six this year, following a mildly expansionary contribution last year. Stockbuilding may actually slow economic growth in Italy and Canada, while adding marginally to it in West Germany, Japan, and the United Kingdom.

Real net foreign demand should make a small contribution to economic growth in all the major foreign developed countries this year. Although export growth in all of the Six will be lower than last year, in most cases import growth will be even more sluggish. Only West Germany and Japan—the two major foreign industrial countries following expansionary policies—will likely see the contributions to growth of their net foreign sectors decline.

The current-account position of the Big Six will actually swing into strong surplus this year. Net exports of goods and services together with private transfers should total $7 billion, compared with a $1 billion deficit

CONFIDENTIAL

Table 4

Big Six Countries: Real GNP and Selected Components

Percent Change

	GNP 1976	GNP 1977	Private Consumption 1976	Private Consumption 1977	Government Consumption 1976	Government Consumption 1977	Gross Fixed Investment 1976	Gross Fixed Investment 1977	Domestic Demand [1] 1976	Domestic Demand [1] 1977
Big Six	5.0	3.8	3.7	3.2	3.2	2.6	3.3	3.9	4.8	3.2
Japan	6.3	5.7	4.4	4.3	4.4	3.3	4.8	6.8	4.8	5.1
West Germany	5.7	4.0	3.6	4.5	2.6	3.0	5.1	5.0	5.4	4.2
France	4.8	3.7	4.3	3.5	4.7	3.3	4.5	2.5	6.6	3.2
United Kingdom	1.8	0.9	0.2	−0.8	2.8	1.3	−4.3	−2.4	1.5	−0.1
Italy	5.6	2.4	3.2	2.4	1.9	2.0	2.3	2.5	5.5	1.1
Canada	4.6	3.5	6.3	4.1	3.0	2.1	0.8	0.5	4.5	3.0

	Exports of Goods and Services 1976	Exports of Goods and Services 1977	Imports Of Goods and Services 1976	Imports Of Goods and Services 1977	Net Foreign Demand [2] 1976	Net Foreign Demand [2] 1977	Total Final Demand 1976	Total Final Demand 1977	Inventory Changes [2] 1976	Inventory Changes [2] 1977
Big Six	11.5	7.6	10.9	5.3	0.3	0.7	3.8	3.9	1.3	−0.1
Japan	17.1	9.0	7.9	5.0	1.7	0.9	6.1	5.7	0.3	0.1
West Germany	11.8	7.0	11.0	8.0	0.5	0	4.2	4.2	1.5	0.3
France	9.7	9.3	19.5	7.1	−1.7	0.5	2.6	3.7	2.1	0
United Kingdom	6.9	6.2	6.3	2.5	0.2	1.1	0.1	0.4	1.2	0.5
Italy	12.6	8.0	13.1	2.5	0.3	1.3	3.1	3.7	2.6	−1.2
Canada	9.5	6.0	8.1	3.5	−0.1	0.4	4.6	3.5	1.1	−0.9

[1] GNP less net foreign demand.
[2] Changes expressed as a percent of GNP in the previous year.

last year. The $8 billion improvement is due largely to Japan's mushrooming surplus. Tokyo's gains on the international market underscore the role increased export sales are playing in Japan's present economic recovery. West Germany's surplus should decline a little, while the rest of the Six should see their combined deficit fall by about $6 billion. Britain will finally break into the black on the strength of North Sea oil exports, particularly in the second half of the year. Largely on the strength of austerity measures, Italy should move roughly into balance. As a group, the smaller OECD members should see their current-account deficit hold at about $15 billion.

The expected $8 billion improvement in the non-US OECD current-account balance will be roughly matched by a likely $9 billion deterioration in the US account and an expected $2 billion improvement in the payments position of non-OPEC LDCs. With Communist countries, South Africa, and

Israel as a group accumulating a $12 billion deficit this year, OPEC's surplus will probably fall by $2 billion, to around $40 billion.

Even with the slowdown in general economic growth, inflation should remain almost frozen at its current high rate. For the OECD as a whole, consumer prices should rise 8.5 percent this year, about the same as last year. Rising unit labor costs are a key factor supporting persistent high inflation now that productivity gains have slowed, in contrast to the early phases of the recovery. In addition, demand still is firm enough compared with the 1974-75 recession years for producers to risk restoring profit margins. Most Big Six countries will see some price pressure abatement in 1977. For the year as a whole, Britain should be able to hold prices in check. Only Italy will experience accelerating gains for all of 1977. Italian producers apparently shoved prices up sharply early in the year to improve profit margins during a short-lived upswing in industrial production last winter.

Joblessness likely will stick at current high levels. Because of the highly structural nature of unemployment in many developed countries, even more rapid growth may have done little to substantially reduce the number out of work. Selective manpower programs introduced by many governments may help ease unemployment in a number of countries toward yearend. Bonn, for example, has funded programs to increase labor mobility, offset training costs for young workers, and increase part-time community service employment. London has extended a temporary employment subsidy program that pays employees to keep on workers through March 1978. Programs to aid

Table 5

OECD Countries:
Consumer Prices and Unemployment Rates

	Consumer Prices (Percent Change)		Unemployment Rates (Percent)	
	1976	1977	1976	1977
OECD	8.3	8.5	NA [1]	NA [1]
United States	5.8	6.0	7.0	6.5
Big Six	9.9	9.7	NA [1]	NA [1]
Japan	9.3	8.3	1.9	1.8
West Germany	4.5	4.0	4.5	4.5
France	9.6	8.5	4.9 [2]	5.2 [2]
United Kingdom	16.6	16.4	5.8	6.0
Italy	16.8	21.0	4.0	4.2
Canada	7.5	7.0	8.0	8.2

[1] Data are not comparable across countries.
[2] CIA series.

disabled workers and reduce unemployment in the construction industry also have been introduced in Britain.

Economic Prospects in 1978

Any look at economic developments beyond 1977 must of course be fraught with grave uncertainties. The course of economic events will depend heavily on the policies governments follow and on international developments over which governments have no control. For the purposes of this exercise, for instance, we are assuming no major changes in the real price of energy or of agricultural goods. If either of these rose substantially, world economic prospects would dim and international debt problems would be intensified. In turn, economic policies probably would become more restrictive, adding to the deflationary impact of a large oil or food price hike.

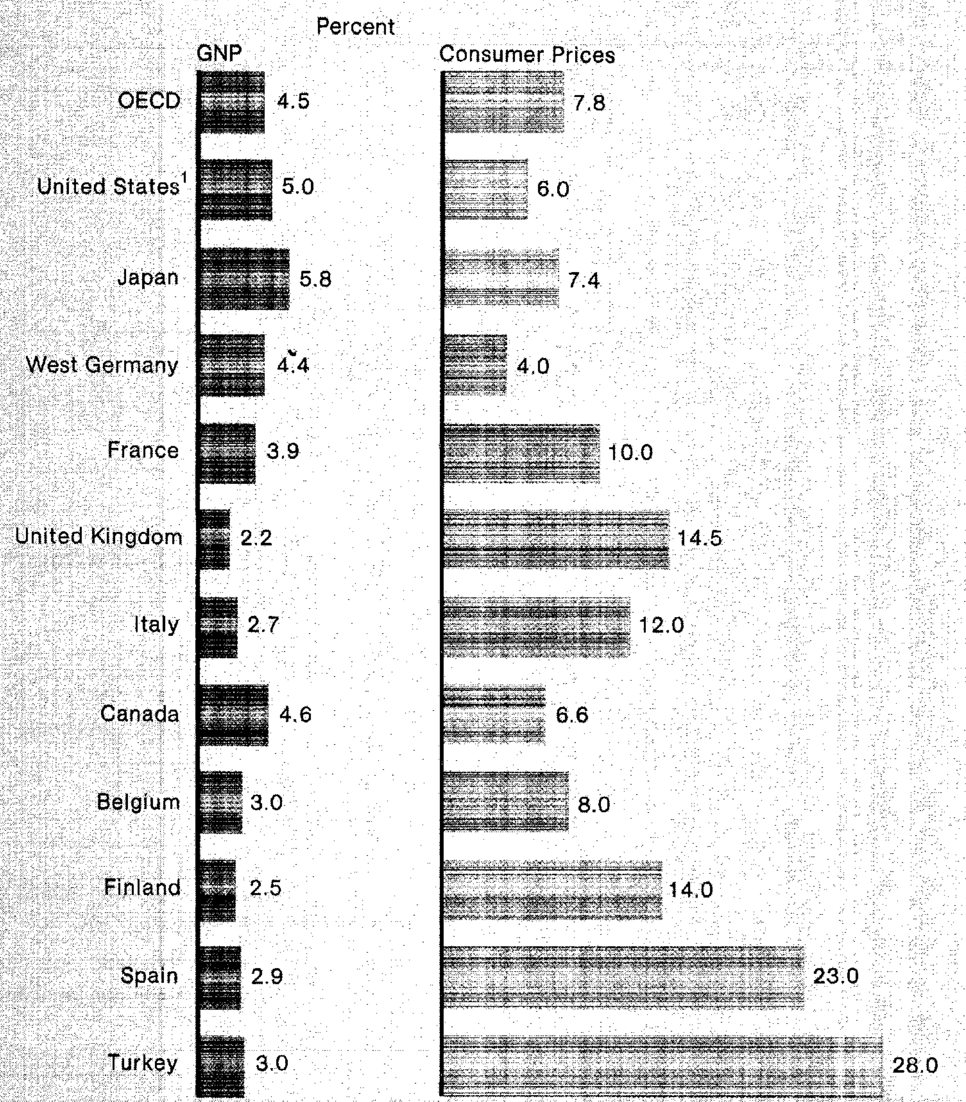
Economic policies in 1978 will be a mixed bag, with changes expected in few countries. We assume that:

- US policy will achieve the 5.0-percent growth target recently indicated by CEA Chairman Schultze.
- West Germany will feel the economic impact of its fall 1977 stimulative package but will not take additional measures.
- French policy will become more expansionary following a leftist victory in March elections.
- Policy in the rest of the Six will stay close to its current course.
- Policy will tighten in a few smaller OECD countries such as Belgium and Turkey and will remain close to its current stance in the rest of the OECD.

Given our policy assumptions, it seems likely that this year's sluggish economic performance will carry over into 1978. At the present time, we see OECD GNP rising 4.5 percent, up fractionally from this year's growth. Domestic demand in the Big Six should strengthen overall, but gains will be spotty. Stepped up wage increases augur for stronger consumption in France and Canada. Private gross fixed investment is expected to respond positively to improved underlying business conditions in Britain and Canada. Domestic demand in the smaller countries seems likely to stagnate due to restrictive policies in some and to lagged effects of slowed Big Six growth in 1977.

Figure 2

Selected OECD Countries:
Likely Growth in Real GNP and Consumer Prices in 1978



1 GNP growth target indicated by CEA Chairman Schultze; OECD estimate of the change in prices for 1st half 1978.

573791 8-77

CONFIDENTIAL

Table 6

OECD Countries: Real GNP and Domestic Demand

Percent Change

	GNP			Domestic Demand		
	Actual	CIA Forecast		Actual	CIA Forecast	
	1976	1977	1978	1976	1977	1978
OECD	5.2	4.2	4.5	5.4	4.1	4.5
Big Six [1]	5.0	3.8	4.2	4.8	3.2	4.1
Smaller developed countries	2.9	3.1	3.4	3.1	2.9	2.6

[1] Japan, West Germany, France, United Kingdom, Italy, and Canada.

While GNP growth should be close to 1977 rates next year, we expect problem areas boding ill for OECD economic health over the rest of the decade to develop.

In *France*, moderate GNP gains in 1978 are likely to be accompanied by increasing economic disequilibrium. In the event of a leftist victory that leaves the Socialists with the major say in policy—the most plausible outcome at the moment—we would anticipate sharply stepped up government spending and hiring along with a sizable hike in the minimum wage, which would boost consumption, inflation, and the payments deficit. Wary businessmen, however, will be very reluctant to hire or to invest. Chances for balanced growth would be much better in the event of a center-right victory. The main worry then would be worker backlash in the form of strikes that could disrupt production and lead to inflationary wage settlements.

Japan likely will maintain strong 6-percent growth next year. Under current policies, domestic demand would increase a little, but exports would remain the spur to economic activity. Unless corrective actions were taken, Japan's current-account surplus seems likely to rise again, heightening the risk of retaliatory trade controls in Europe.

West Germany will increase its growth rate a little, to 4.4 percent next year, but weaker export performance will further dampen chances of an investment boom. This growth rate will be insuffi-

ciently high to reduce Bonn's current-account surplus by much. Pressure from EC partners for actions to cut the surplus are likely to mount. The current-account surplus should, however, tighten after 1978, as export growth is stifled by continued slow world economic growth and by lagged effects of substantial deutsche mark appreciation in recent years.

Britain's economic fortunes should turn up in 1978, but sustained improvement is questionable. Thanks to North Sea resources, the UK will enjoy a comfortable payments position. If London sticks to its current policy of trying to channel more resources from consumption into investment, the economy could be moved into a healthier long-term growth pattern. However, the government—whether Labor or Tory—will undoubtedly come under considerable pressure from the unions to use the benefits of North Sea energy to make up for declines in real incomes suffered in recent years.

The political consensus for sustained austerity should continue to hold GNP growth in *Italy* down next year. Increasing unemployment among youth, however, could add to discontent among the Communist Party's rank and file, spurring party chief Berlinguer to demand greater political concessions in return for continued cooperation on the economic front.

In *Canada*, GNP growth will accelerate next year, possibly to 4.6 percent or about 1 percentage point below the historical trend. [redacted] 25X6

Although growth in the *smaller OECD members* will pick up a little next year, these countries will remain highly dependent on international trade and hence vulnerable to any disruption in the world economy. Any major downturn in trade, whether due to the cumulative impact of restrictive policies on world demand or to protectionist measures, would seriously undermine the shaky recoveries under way in these countries and further weaken already shaky coalition governments in many of them.

Although demand will likely be flaccid next year, inflation probably will remain disturbingly high. For the entire OECD, the rate should fall only

slightly, to 7.8 percent. Lack of progress seems to be associated in part with the steady increases in oil prices that now appear built into the post - oil embargo world. Aided by indexation, these gains are passed on to wages, which in turn help support a higher inflation rate. Slowed productivity growth linked with the sluggish economic pace expected through 1978 also ensures difficulty in reducing inflation. Those countries that are experiencing excessive price increases this year—Italy, Britain, Spain, Iceland, Portugal—seem most likely to make some progress next year, though their rates will remain substantially above the expected OECD average. France and Turkey could experience accelerated inflation rates, while most of the other countries seem destined to repeat 1977 performances.

Unemployment will also remain high throughout the OECD. In the Big Six, only West Germany and Japan will likely keep the jobless rate from rising. German unemployment should be held down by Bonn's manpower programs; Japanese GNP growth will be strong enough to more than absorb new labor force entrants. Other Big Six nations, like many of the smaller developed countries, probably will be unable to generate enough job openings to meet growing labor force requirements.

International payments pressures will likely intensify within the OECD next year. The Big Six, on the one hand, will see their aggregate position improve. Britain will likely post a strong surplus due to increased North Sea oil flows, while Italy will improve its position enough to offset a large portion of net government transfer outflows. France and Canada will see their payments positions deteriorate. The smaller developed countries, on the other hand, will see their combined deficit increase by some $0.7 billion, provoking domestic pressure for further import restrictions.

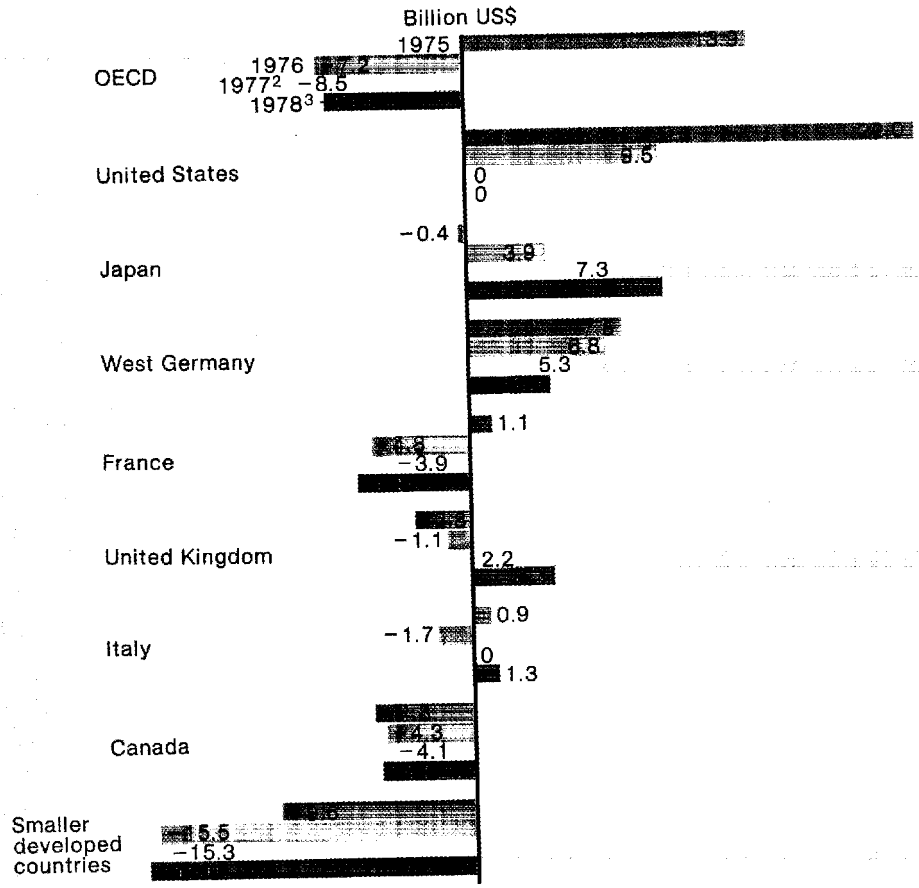
Possible Deviations From the Baseline Forecast

Sorting through all the uncertainties surrounding economic developments this year and next, we believe on balance that to the extent our projections of GNP growth are incorrect, the error is on the high side. The outlook for investment remains particularly murky. Given the grave doubts businessmen have about the strength of demand for their products and the uncertainties about the long-run rate of return on their investments, business spending could be slacker than we have anticipated.

If indeed our GNP forecasts are too high, unemployment would probably rise more than we have indicated. In turn, increased numbers of jobless would add to public transfer payments and lead to a tightening of funds

OECD Countries: Current Account Balances[1]

Figure 3



1. Including goods, services (including reinvested earnings), and private transfers based on IMF definitions. The current account figures used for the United States differ from official US data by $10.5 billion in 1975 and $10.8 billion in 1976. The difference is due to our inclusion of roughly $6 billion in net reinvested earnings and excluding $4 billion in public grants. US payments projections for 1977 and 1978 were based on Department of Commerce trade projections and an assumption of 17 percent growth in net services coupled with an outflow of about $1 billion in net private transfers.
2. Estimated.
3. Projected.

573797 8-77 CIA

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

available for investment. Slacker-than-forecast demand would probably not help much on the inflation front. In fact, price increases could be even higher than we have indicated if a few key governments lose their grip over wage curbs. Hence, cost pressures could then force businessmen to push up prices to preserve slim profit margins. The impact of all these developments on current-account balances is particularly obscure since pressures would be generated in both directions.

The likelihood of lower-than-anticipated economic growth are particularly high in France and Britain. In France, our 1978 forecast hinges on the assumption that Mitterrand will keep the Communists in line and pursue a moderate policy course, going slow in implementing the Common Program. If the more radical factions in the Alliance exert greater political influence than we are assuming, rapid deterioration in public confidence and massive capital flight would probably lead to lower GNP growth than forecast. In Britain, we assume that the leaders of the Trades Union Congress will talk the unions into only moderately larger wage gains following the expiration of wage controls in July. An unexpected wage explosion spurred by rank-and-file restiveness, however, would alter both GNP and its components--pushing consumption up and investment down. Excessive wage settlements, particularly in the public sector, would also force London to rethink its economic game plan.

Prospects for higher-than-anticipated economic growth hinge on the much less likely chance of additional government stimulus, primarily in West Germany and Japan. Stronger government action than we now anticipate would accelerate growth in the stimulating countries and in their trading partners, adding to inflation at the same time. It would also shift international balances in favor of nonstimulating OECD members. West Germany and Japan are the two most likely candidates for further stimulation in 1978. Both nations will be relatively well positioned to take the initiative, since they are likely to be experiencing only moderate inflation and large current-account surpluses. Increased Japanese and German stimulation, by easing trading partners payments constraints, could give additional breathing space to other governments.

To roughly quantify the likely impact of more expansionary economic policy, we used a linked model of the world economy. This model consists of moderate-size country models for each major developed nation and

smaller models for non-oil LDCs and the smaller developed countries.[5] We exercised the model to help us judge the domestic and international effects of German and Japanese stimulation.

For Germany, we investigated the effects of two different government packages: a) the first scenario assumed that Chancellor Schmidt introduces a high-option stimulation package that cuts corporate and personal taxes by 10 percent—the full amount allowable under the Growth and Stability Law and b) a second scenario assumed government consumption was boosted sufficiently to add 0.5 percent to GNP growth. For Japan, we examined the effect of a high-option supplemental budget. Under the high option, which is being discussed in Tokyo, roughly $7 billion would be injected into the economy over and above the presently expected $4 billion supplemental budget. Finally, we also used the model to help determine the growth impact on the OECD area of increased government expenditure in other countries equal to the amount of current-account improvement that would result from high-option policy courses in both Japan and West Germany.

On the basis of these exercises, we conclude:

- Additional stimulation by West Germany and Japan would add very little to GNP growth in the OECD area as a whole.

- It would raise prices substantially less than the increase in GNP in either country; inflation in trading partners would be virtually unaffected.

- Stimulation by West Germany would have a significant impact on the trade balances of Europe's smaller countries, most of whom currently are plagued with financing problems. It would also help the larger European countries, particularly France.

- Stimulation by Japan would do little to help reduce deficit OECD countries' payments problems, having a strong effect only on the United States. Reduction of import barriers and other actions to directly effect trade seem a better way for Tokyo to impact deficit countries.

25X1A

[5] For further details on the structure of our link model call [redacted] on 351-7402 or [redacted] on 351-5911. The results of the link model were cross-checked using more detailed quarterly models of the German and Japanese economies based, respectively, on the German Bundesbank model and the Japanese Economic Planning Agency model.

25X1A

25X1A

- Additional government spending by other nations equivalent to the amount of improvement in their payments position from Japanese and German stimulation roughly doubles the growth impact of Bonn and Tokyo acting alone. The gains would be more or less evenly spread throughout the world.

West Germany: Potential Impact of Stronger Stimulation

The first of our German scenarios, invoking the maximum measures available under the Growth and Stability Law, would have very little impact on our baseline forecasts for West Germany and its OECD partners. At most, the United States, France, and the smaller developed countries as a group would see their current account positions improve some $100 million each. To have a noticeable impact on its trade partners, Bonn would have to opt for our second scenario. We have emphasized public consumption in this alternative, since we are assuming investment and tax measures would already be on line and that the left wing of the Social Democrats would insist on consumption-oriented spending increases.

Our analysis indicates that for Bonn to boost its GNP growth to one-half of a percent in 1978 (4.9 percent by our forecast) government consumption expenditure would have to be increased roughly $4 billion next year. This assumes that the highly conservative Bundesbank remains inflexible on its monetary growth targets, a distinct possibility. This package would increase prices by around 0.3 percent, lower the current-account surplus some $1 billion to $1.5 billion, and raise the total government deficit about 10 percent above the level the government presently expects.

The impact of our second scenario of German stimulation on the growth and payments positions of other OECD nations would be concentrated in Western Europe--notably in France, Britain, Italy, and the smaller developed nations as a group. All would reap small export-induced income gains of about 0.1 to 0.2 percent in 1978. In France, for example, 1978 GNP growth would rise from our current 3.9-percent baseline projection to 4.0 percent.

Under our second scenario, the likely shift in West Germany's international position also would favor Europe. The smaller developed countries, with their close trade ties to Germany, would see their combined deficit fall roughly 1 percent, or about $200 million in 1978. Paris would see its deficit fall 4 percent below our baseline forecast, while Italy's payments position would be strengthened by 10 percent.

Table 7

Impact of Additional West German Stimulation in 1978

	Percent Change in Real GNP Over Baseline Forecast	Change in Current Account (Billion US $)
West Germany	0.50	−1.4
United States	0.02	0.3
Japan	0.03	0.1
France	0.12	0.2
United Kingdom	0.09	0.1
Italy	0.10	0.1
Canada	0.02	Negl
Smaller developed countries	0.19	0.2
Non-oil LDCs	0.07	0.2

Japan: Potential Impact of Stronger Stimulation

Tokyo has already considered the possibility of a high-option stimulative package. Last month, Toshio Komoto, chairman of the policy committee of the ruling Liberal Democratic Party, indicated that a larger supplemental budget will have to be implemented if economic activity does not pick up by summer's end. Basically, we have patterned our high-option policy scenario after one proposed by the Japanese Economic Research Center (JERC) in July. Specifically, we assume that:

- Personal income tax payments will be reduced almost $4 billion.
- Corporate income taxes will be cut almost $2 billion.
- Government investment outlays will be stepped up by more than $1 billion.
- These measures would be in addition to the $4 billion stimulation we have built into our baseline forecast.

Under this high-option policy scenario, Tokyo could boost its GNP growth just over 1 percent next year, to 7.1 percent; prices would rise by less than 0.5 percent more than those forecast in our baseline projection. Increased Japanese stimulation, however, would do little to spur GNP growth or to ease payments positions in the other OECD countries. Tokyo's import demand would grow relatively slowly. This largely reflects Japan's low marginal propensity to import. Moreover, Japan buys little from indus-

Table 8

Impact of Japan's High-Option Stimulation Package in 1978

	Percent Change in Real GNP Over Baseline Forecast	Change in Current Account Balance (Billion US $)
Japan	1.25	−1.1
United States	0.03	0.3
West Germany	0.03	0.1
France	0.02	0.1
United Kingdom	0.04	Negl
Italy	0.02	Negl
Canada	0.04	Negl
Smaller developed countries	0.06	0.1
Non-oil LDCs	0.09	0.4

trial countries other than the United States. The high-option package would cut the combined deficit of the other OECD countries by $600 million, but one-half of the gain would accrue to the United States. Assuming the non-oil LDCs did not restrict export-induced import demand, their aggregate position would improve by more than $400 million.

Potential Impact of Broad-Based Stimulation

While high-option stimulation by Japan and West Germany would add little to world economic growth, it would give greater policy flexibility to other governments. As current-account pressures eased, some governments might opt to use the improvements to stimulate their domestic economies. Assuming all nations increased government outlays by an amount equal to the current-account improvement arising from joint Japanese-German stimulation, world economic growth would be given a strong nudge.

The growth impact of a joint Japanese-German expansion coupled with payments-induced stimulation elsewhere would be shared by all nations. Among developed countries, roughly one-half of the growth gains of the United States, France, Italy, and Canada arise simply from the current-account induced stimulus. Somewhat smaller gains would be made by Britain and the smaller developed countries. The trade impact on West Germany and Japan, while small, would help reduce the cost of their initial stimulation. GNP gains caused by higher exports would increase government revenue and

Table 9

Comparison of the Income Effect of
Alternative Stimulation Packages

Percent

	Joint High-Option Japanese-German Stimulation	Stimulation by Other Government	Total Stimulation
United States	0.05	0.05	0.10
Japan	1.28	0.02	1.30
West Germany	0.63	0.03	0.66
France	0.14	0.11	0.25
United Kingdom	0.12	0.07	0.19
Italy	0.12	0.12	0.24
Canada	0.07	0.08	0.15
Smaller developed countries	0.24	0.10	0.34
Non-oil LDCs	0.16	0.07	0.23

with it reduce the size of the budget deficit. Non-oil LDCs would also gain marginally, with GNP growth increasing from the roughly 5 percent we presently expect in 1978 to about 5.2 percent. Stimulation by countries whose payments positions improved due to German-Japanese actions provokes a negligible amount of additional inflation.

Appendix A
Supporting Tables

Table A-1

OECD Countries: Consumer Prices

Percent change

	1975	1976	CIA Projection 1977	CIA Projection 1978
OECD	11.9	8.3	8.5	7.8
Big Seven				
United States	9.1	5.8	6.0	6.0 [1]
Japan	11.1	9.3	8.3	7.4
West Germany	5.9	4.5	4.0	4.0
France	11.7	9.6	8.5	10.0
United Kingdom	24.2	16.6	16.4	14.5
Italy	17.0	16.8	21.0	12.0
Canada	10.8	7.5	7.0	6.6
Other				
Australia	15.1	13.6	15.0	10.0
Austria	8.5	7.3	6.2	6.5
Belgium	12.8	9.2	7.5	8.0
Denmark	9.6	8.7	8.0	8.5
Finland	17.7	14.4	13.5	14.0
Greece	13.4	13.3	12.0	9.0
Iceland	48.5	32.8	35.0	30.0
Ireland	20.9	18.0	14.0	10.0
Luxembourg	10.8	9.8	7.6	7.8
Netherlands	10.2	8.8	7.5	7.5
New Zealand	14.7	17.0	15.0	12.0
Norway	11.7	9.2	8.5	8.2
Portugal	15.3	19.3	35.0	20.0
Spain	16.9	17.7	30.0	23.0
Sweden	9.8	10.0	10.0	10.5
Switzerland	6.7	1.7	1.5	2.6
Turkey	19.2	17.3	23.0	28.0

[1] OECD estimate of the change in consumer prices during first half 1978.

Table A-2

OECD Countries: Unemployment Rates [1]

Percent

	1975	1976	CIA Projection 1977	CIA Projection 1978
Big Seven				
United States	8.5	7.7	7.0	6.5
Japan	1.9	2.0	1.9	1.8
West Germany	4.7	4.6	4.5	4.5
France [2]	3.8	4.3	4.9	5.2
United Kingdom	3.9	5.4	5.8	6.0
Italy	3.3	3.7	4.0	4.2
Canada	6.9	7.2	8.0	8.2
Other				
Australia	4.4	4.7	5.0	4.5
Austria	2.1	2.0	1.9	1.8
Belgium [2]	7.3	8.1	8.9	7.9
Denmark	6.0	6.1	7.0	7.0
Finland	2.2	4.0	5.0	4.0
Greece	3.6	3.0	2.5	2.5
Iceland	0.6	0.4	0.5	0.5
Ireland	12.2	12.3	11.8	10.5
Netherlands	5.0	5.5	5.5	6.0
New Zealand	0.6	1.0	1.0	0.8
Norway	1.1	1.1	1.0	0.9
Portugal	10.0	14.0	14.0	12.0
Spain	2.3	3.5	5.7	6.3
Sweden	1.6	1.5	1.9	2.2
Switzerland	0.3	0.7	0.5	0.5
Turkey	NA	NA	NA	NA

[1] Data are not comparable across countries.
[2] CIA series.

Table A-3

OECD Countries: Current-Account Balances [1]

Billion US $

	1975	1976	CIA Projection 1977	CIA Projection 1978
OECD	13.9	−7.2	−8.5	−6.9
Big Seven				
United States	22.0	9.5	0	0
Japan	−0.4	3.9	7.3	9.7
West Germany	7.5	6.8	5.3	4.0
France	1.1	−4.8	−3.9	−5.5
United Kingdom	−2.8	−1.1	2.2	4.1
Italy	0.9	−1.7	0	1.3
Canada	−4.8	−4.3	−4.1	−4.5
Other				
Australia	0	−1.1	−1.5	−2.0
Austria	−0.3	−1.5	−0.8	−0.8
Belgium/Luxembourg	1.2	0	0.8	1.1
Denmark	−0.6	−2.2	−2.0	−2.0
Finland	−2.2	−1.1	−0.7	−0.6
Greece	−1.0	−1.1	−1.1	−1.3
Iceland	−0.1	0	0	0
Ireland	−0.3	−0.5	−0.5	−0.6
Netherlands	2.0	2.4	2.7	3.2
New Zealand	−1.4	−0.7	−0.4	−0.3
Norway	−2.3	−3.5	−3.7	−3.9
Portugal	−0.8	−1.2	−1.1	−0.9
Spain	−3.5	−4.4	−4.7	−4.8
Sweden	−1.1	−1.9	−2.6	−3.5
Switzerland	2.7	3.6	3.6	3.4
Turkey	−1.9	−2.3	−3.3	−3.0

[1] Includes goods, services (including reinvested earnings), and private transfers, based on IMF definitions.

Table A-4

OECD Countries: Exchange Rates

National Currency Units Per US $

			CIA Assumptions	
	1975	1976	1977	1978
Big Six				
Japan	296.80	296.50	272.50	262.50
West Germany	2.46	2.52	2.36	2.27
France	4.29	4.78	4.95	5.20
United Kingdom	0.45	0.55	0.59	0.61
Italy	652.85	832.29	890.00	935.00
Canada	1.02	0.99	1.05	1.07
Other				
Australia	0.76	0.82	0.89	0.91
Austria	17.42	17.94	16.90	18.00
Belgium	36.78	38.61	37.10	37.30
Denmark	5.75	6.05	6.35	6.66
Finland	3.69	3.86	4.00	4.50
Greece	32.29	36.58	37.50	39.00
Iceland	153.70	182.17	207.00	240.00
Ireland	0.45	0.55	0.59	0.61
Luxembourg	36.78	38.61	37.10	37.30
Netherlands	2.53	2.64	2.50	2.40
New Zealand	0.82	1.00	1.00	1.00
Norway	5.23	5.46	5.30	5.25
Portugal	25.55	30.22	40.00	50.00
Spain	57.41	66.90	74.00	85.00
Sweden	4.15	4.36	4.49	4.71
Switzerland	2.58	2.50	2.45	2.40
Turkey	14.44	16.05	19.00	23.00

Table A-5

Japan: Real GNP and Selected Components

Percent Change

	Actual		CIA Projection	
	1975	1976	1977	1978
Private consumption	6.1	4.4	4.3	4.4
Government consumption	7.0	4.4	3.3	4.0
Gross fixed investment	−2.8	4.8	6.8	6.6
Final domestic demand	3.0	4.5	5.0	5.1
Exports of goods and services	4.4	17.1	9.0	7.0
Imports	−8.1	7.9	5.0	5.0
Net foreign demand [1]	1.7	1.7	0.9	0.6
Total final demand	4.7	6.1	5.7	5.5
Inventory changes [1]	−2.1	0.3	0.1	0.4
GNP	2.4	6.3	5.7	5.8

[1] Changes expressed as a percent of GNP in the previous year.

Table A-6

West Germany: Real GNP and Selected Components

Percent Change

	Actual		CIA Projection	
	1975	1976	1977	1978
Private consumption	2.5	3.6	4.5	5.0
Government consumption	3.8	2.6	3.0	3.5
Gross fixed investment	−4.2	5.1	5.0	4.6
Final domestic demand	1.1	3.8	4.3	4.6
Exports of goods and services	−6.9	11.8	7.0	7.2
Imports of goods and services	3.5	11.0	8.0	8.5
Net foreign demand [1]	−2.7	0.5	0	−0.1
Total final demand	−1.7	4.2	4.2	4.4
Inventory changes [1]	−0.8	1.5	0.3	−1.1
GNP	−2.5	5.7	4.0	4.4

[1] Changes expressed as a percent of GNP in the previous year.

CONFIDENTIAL

Table A-7

France: Real GNP and Selected Components

Percent Change

	Actual		CIA Projection	
	1975	1976	1977	1978
Private consumption	3.5	4.3	3.5	5.5
Government consumption	2.8	4.7	3.3	5.0
Gross fixed investment	−4.4	4.5	2.5	2.5
Final domestic demand	1.5	4.4	3.2	4.7
Exports of goods and services	−2.3	9.7	9.3	7.0
Imports of goods and services	−5.1	19.5	7.1	10.0
Net foreign demand [1]	0.5	−1.7	0.5	−0.6
Total final demand	2.0	2.6	3.7	4.1
Inventory changes [1]	−3.0	2.1	0	−0.1
GNP	−1.0	4.8	3.7	3.9

[1] Changes expressed as a percent of GNP in the previous year.

Table A-8

United Kingdom: Real GNP and Selected Components

Percent Change

	Actual		CIA Projection	
	1975	1976	1977	1978
Private consumption	−0.1	0.2	−0.8	2.0
Government consumption	5.1	2.8	1.3	0.9
Gross fixed investment	−0.8	−4.3	−2.4	3.6
Final domestic demand	0.7	−0.1	−0.7	2.0
Exports of goods and services	−3.9	6.9	6.2	5.0
Imports of goods and services	−6.9	6.3	2.5	4.0
Net foreign demand [1]	0.7	0.2	1.1	0.4
Total final demand	1.5	0.1	0.4	2.4
Inventory changes [1]	−2.3	1.2	0.5	−0.3
GNP	−1.3	1.8	0.9	2.2

[1] Changes expressed as a percent of GNP in the previous year.

CONFIDENTIAL

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

Table A-9

Italy: Real GNP and Selected Components

Percent Change

	Actual		CIA Projection	
	1975	1976	1977	1978
Private consumption	−1.4	3.2	2.4	2.0
Government consumption	2.8	1.9	2.0	2.0
Gross fixed investment	−13.0	2.3	2.5	1.8
Final domestic demand	−3.2	2.9	2.4	2.0
Exports of goods and services	3.5	12.6	8.0	7.1
Imports of goods and services	−9.9	13.1	2.5	2.0
Net foreign demand [1]	2.7	0.3	1.3	1.3
Total final demand	−0.4	3.1	3.7	3.2
Inventory changes [1]	−3.1	2.6	−1.2	−0.5
GNP	−3.5	5.6	2.4	2.7

[1] Changes expressed as a percent of GNP in the previous year.

Table A-10

Canada: Real GNP and Selected Components

Percent Change

	Actual		CIA Projection	
	1975	1976	1977	1978
Private consumption	4.9	6.3	4.1	4.6
Government consumption	3.8	3.0	2.1	2.9
Gross fixed investment	2.4	0.8	0.5	2.3
Final domestic demand	4.1	4.5	3.0	3.8
Exports of goods and services	−7.1	9.5	6.0	5.0
Imports of goods and services	−2.5	8.1	3.5	3.4
Net foreign demand [1]	−1.0	−0.1	0.4	0.2
Total final demand	3.3	4.6	3.5	4.2
Inventory changes [1]	−3.0	1.1	−0.9	0.3
GNP	0.6	4.6	3.5	4.6

[1] Changes expressed as a percent of GNP in the previous year.

Table A-11

Big Six: Real GNP and Selected Components

Percent Change

	GNP		Private Consumption		Government Consumption		Gross Fixed Investment		Final Domestic Demand	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
Big Six	3.8	4.2	3.2	4.1	2.6	3.1	3.9	4.5	3.3	4.1
Japan	5.7	5.8	4.3	4.4	3.3	4.0	6.8	6.6	5.0	5.1
West Germany	4.0	4.4	4.5	5.0	3.0	3.5	5.0	4.6	4.3	4.6
France	3.7	3.9	3.5	5.5	3.3	5.0	2.5	2.5	3.2	4.7
United Kingdom	0.9	2.2	−0.8	2.0	1.3	0.9	−2.4	3.6	−0.7	2.0
Italy	2.4	2.7	2.4	2.0	2.0	2.0	2.5	1.8	2.4	2.0
Canada	3.5	4.6	4.1	4.6	2.1	2.9	0.5	2.3	3.0	3.8
	Exports of Goods and Services		**Imports of Goods and Services**		**Net Foreign Demand [1]**		**Total Final Demand**		**Inventory Changes [1]**	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
Big Six	7.6	6.5	5.3	6.1	0.7	0.3	3.9	4.2	−0.1	−0.2
Japan	9.0	7.0	5.0	5.0	0.9	0.6	5.7	5.5	0.1	0.4
West Germany	7.0	7.2	8.0	8.5	0	−0.1	4.2	4.4	0.3	−1.1
France	9.3	7.0	7.1	10.0	0.5	−0.6	3.7	4.1	0	−0.1
United Kingdom	6.2	5.0	2.5	4.0	1.1	0.4	0.4	2.4	0.5	−0.3
Italy	8.0	7.1	2.5	2.0	1.3	1.3	3.7	3.2	−1.2	−0.5
Canada	6.0	5.0	3.5	3.4	0.4	0.2	3.5	4.2	−0.9	0.3

[1] Changes expressed as a percent of GNP in the previous year.

Table A-12

West Germany: Domestic Impact of Additional Public Expenditures Equal to 0.5 Percent of GNP in 1978

	Percent Change Over Baseline CIA Forecast
Real GNP	0.50
Private consumption	0.28
Private investment	0.51
Government consumption	3.19
Exports of goods and services	0.17
Imports of goods and services	1.12
Consumer prices	0.33

Table A-13

Japan: Domestic Impact of High-Option Stimulation in 1978

	Percent Change Over Baseline CIA Forecast
Real GNP	1.25
Private consumption	1.19
Private investment	1.48
Government consumption	−0.73
Exports of goods and services	0.06
Imports of goods and services	1.51
Consumer prices	0.45

Appendix B

Current-Account Balance Definitions

In this report, the current account includes goods, services (including reinvested earnings), and private transfers based on IMF definitions. This payments concept, which excludes government net unrequited transfers, is used in an attempt to achieve greater international comparability among countries. For detailed information on the value of public transfers see table B-1.

The current-account figures used for the United States in this report differ from official US data, due simply to the exclusion of government grants and transfers and the inclusion of reinvested earnings. As seen in table

Table B-1

OECD Countries: Net Government Unrequited Transfers

Million US $

	1975	1976
Big Seven		
United States	−3,961	−4,368
Japan	−263	−220
West Germany	−3,612	−3,746
France	−1,106	NA
United Kingdom	−839	−1,433
Italy	−1,446	−1,169
Canada	−116	−31
Other		
Australia	−542	−406
Austria	−4	−10
Belgium/Luxembourg	−493	−331
Denmark	111	265
Finland	−28	−15
Greece	14	9
Iceland	−1	−1
Ireland	215	NA
Netherlands	−353	−72
New Zealand	−8	−2
Norway	−171	−201
Portugal	−32	NA
Spain	−19	−16
Sweden	−506	−553
Switzerland	−134	−160
Turkey	10	NA

Table B-2

United States: Comparison of Current-Account Definitions [1]
1975

	Million US $
Exports of goods	107,088
Imports of goods	−98,043
Exports of services	40,512
Imports of services	−33,392
Net private transfers	−904
Net government grants and transfers	−3,708
Current Account Balance (US definition)	11,553
less: government grants and transfers	−3,708
plus: reinvested earnings of incorporated foreign affiliates	8,048
less: reinvested earnings of incorporated US affiliates	1,065
plus: reporting differences on goods and private transfers	−270 [2]
plus: statistical error	−9
Current Account Balance (CIA definition)	21,965

[1] US data obtained from June 1977 *Survey of Current Business*, pages 33 and 47.

[2] Difference between goods and private transfers in 1975 as reported in the June 1977 *Survey of Current Business* and the August 1977 *International Financial Statistics* of the IMF.

B-2, the difference between the two payments concepts for 1975 was almost $10.5 billion. In 1976, the US current-account position according to the CIA definition was in surplus by $9.5 billion, compared with a deficit of $1.3 billion on the basis of official US data.

To obtain payments projections for this year and next, we adjusted preliminary Department of Commerce forecasts of the US trade balance, which call for a trade deficit of $22 billion for 1977 and $26 billion for 1978. We also assumed that net services, including retained earnings, would grow by 17 percent in both years and that net private transfer outflows would rise to $1 billion this year and $1.2 billion in 1978.

Appendix C

Forecasting Methodology

The forecasts of economic developments in foreign developed countries presented in this report are based primarily on judgments of country experts. The judgments are derived from detailed analysis of indicators of economic activity, examination of other assessments, and extrapolation of recent trends and changes in trends.

Growth rates are calculated using average year rather than end-of-period data. Differences between these two techniques can be substantial. In the United States, for example, real GNP in 1976 rose 6 percent on an average yearly basis versus only 4.7 percent using end-of-period figures.

All forecasts are checked for internal and external consistency. These checks help uncover potential conflicts within the forecasts and increase the logical accuracy of the projections. They do not, of course, prevent forecast error resulting from inaccurate exogenous assumptions.

For the larger developed countries a number of checks are performed on major GNP components. Values over the forecast period are compared to historical trends over the past 15 years. The check includes analysis of:

Private Consumption Expenditure

- The implied values of the marginal and average propensities to consume out of total GNP.

- The implied values of the marginal and average propensities to consume and save out of real disposable income. Household income is derived from independent estimates of wage rates, consumer prices, employment, and hours worked. The consistency of these series is in turn cross-checked by viewing what they imply for employment-output ratios and productivity trends.

Gross Fixed Domestic Investment

- The ratio between investment and GNP as well as the trend pattern for each.

Imports

- The implied values of the marginal and average propensity to import.

- The relationship between domestic and import prices. Import prices are checked—vis-a-vis a trade share matrix—to ensure consistency with both the world rate of inflation and likely currency realignments.

Exports

- The implied change in real nominal trade shares. To help ensure consistency between export growth and trading partners, import growth potential export gains are also derived assuming constant historical trade shares.

- The competitive position and changes in competitive position vis-a-vis major trading partners.

- The consistency between changes in export prices and domestic prices.

Consistency between national income account and current-account projections was also checked. Historical relationships were established between both exports and imports of goods and services on a national income account basis and a balance-of-payments basis. These relationships were then used in evaluating the logical accuracy of the current-account projections.

In smaller developed countries internal consistency is checked by viewing the relationship between GNP growth and changes in domestic demand. External consistency is provided by checks similar to those used for the larger countries.

The consistency check procedure is an iterative process. Preliminary projections supplied by country experts form the basis of the first consistency round. The results are used to modify both domestic and international income and price components for individual countries. Revised forecasts are then prepared. These are used in the second consistency round during which most remaining major inconsistencies are resolved. Further iterations are carried out if needed for specific countries. In preparing this report, roughly 300 to 350 individual forecast values were modified during the iterative process.

APPENDIX D

Selected OECD Countries: Comparative Forecasts of GNP Growth

	CIA (August 1977)	OECD (July 1977)	DRI (April 1977)	Chase-Econometrics (June 1977)
1977				
Japan	5.7	5.5	5.6	6.1
West Germany	4.0	4.0	5.0	4.5
France	3.7	3.0	3.7	3.5
United Kingdom	0.9	1.0	1.5	1.4
Italy	2.4	2.3	1.9	3.4
Canada	3.5	3.0	3.3	3.7
Spain	2.4	2.2	NA	2.0 [1]
Netherlands	4.4	3.5	NA	3.0 [1]
Belgium	3.0	2.8	NA	2.9 [1]
1978				
Japan	5.8	5.0 [2]	5.8	6.0
West Germany	4.4	3.8 [2]	4.9	3.6
France	3.9	3.0 [2]	5.4	3.4
United Kingdom	2.2	1.5 [2]	2.3	0.9
Italy	2.7	0.8 [2]	2.3	2.3
Canada	4.6	4.3 [2]	4.3	3.9
Spain	2.9	NA	NA	2.3 [1]
Netherlands	3.5	NA	NA	2.4 [1]
Belgium	3.0	NA	NA	1.7 [1]

[1] March 1977 projections.
[2] Projections for first half 1978.

25X1A

25X1A

The project leader for this paper was [redacted] Industrial Nations Division, Office of Economic Research. Comments and queries are welcome and should be directed to [redacted] on 351-7402.

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

26 August 1977

MEMORANDUM FOR: Chief, Distribution Section, P&PD/OL

FROM: Chief, Registry and Dissemination Branch, PPG

SUBJECT: Dissemination of OER Report, ER 77-10517 (Job 425-1194-77), OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios, CONFIDENTIAL

STATINTL

Attached is the dissemination list for subject report. Copies # 1 through # 170 will be picked up or forwarded to PPG/R&D, Room 7G07, Hq. Please notify [redacted] PPG/R&D, x-5203, when you receive the remaining copies for distribution. When a report has an ELITE, the elite copies must be disseminated before standard distribution is made.

STATINTL

[redacted]

Attachment: a/s

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

Analysts: [redacted] OER/I/WE and [redacted] OER/DAC

CONTROL RECORD FOR SUPPLEMENTAL DISTRIBUTION

ELITE: 29 Aug 77 DISSEM: 29 Aug 77

SERIES NUMBER	CLASSIFICATION OF REPORT	DISTRIBUTION TO RC
ER 77-10517	CONFIDENTIAL	63 STATINTL
DATE OF DOCUMENT	NUMBER OF COPIES	NUMBER IN RC
August 1977	440	STATINTL

COPY NO.(S)	RECIPIENT	DATE SENT	DATE RETURNED
1-170	Rec'd in PPG/R&D	29 Aug 77	
1	DDI	29 Aug 77	
2-5	Reserve	"	
6	D/OER	"	1 Sep 77
7	DD/OER	"	
8	[redacted] Nat. War College via O/D/OER	" STATINTL	
9	EXO/ER; SA/ER; D/SA/ER	"	30 Aug 77
10	Ch/D/I	"	
11	DCh/D/I	"	
12	Ch/DAC	"	
13	[redacted] I/WE	" STATINTL	
14	[redacted] DAC	" STATINTL	
15	DAC	"	
16	OER Prod. Officer	"	
17	Analysts to annotate & return	"	
18-22	NIO Reg.	"	
23	Ch/PPG	"	
24	SA/PPG	"	31 Aug 77
25	Ch/PDB/PPG	"	
26	Ch/TPB/PPG	"	
27	[redacted] TPB/PPG	" STATINTL	
28-102	ELITE DISSEM - see attached	"	
103	John Wilson, Office of the Undersecretary	"	
	for Economic Affairs, State		
104	Robert Fauver, Senior International	"	
	Economist, Treasury		
105-114	D/OER	"	
115, 116	[redacted]	" STATINTL	
117		"	
118		"	
119-121		"	
122		"	
123	CIA Rep. SAC	"	
124		" STATINTL	
125	The Hon. Thomas O. Enders, Amb. to	"	
	Canada		
126	PPG/R&D for Carter Ly	"	
127, 128	S/TM/OER	"	
129	NIO/EO	31 Aug 77	
130	OER/S/TM	1 Sep 77	
131-170	Filed in PPG/R&D	"	
266-269	Ret'd to PPG/R&D	30 Aug 77	

FORM 2-65 2353 (13)

COPY NO. (S)	RECIPIENT	DATE SENT	DATE RETURNED
270-294	Rec'd in PPG/R&D	30 Aug 77	
131, 132	Robert Gelbard, OECD Rep. State	1 Sep 77	
24	Ch/PPG	2 Sep 77	3 Nov 77
133	Steve Dunaway, Balance of Payments Div.	8 Sep 77	
	Bur. of Economic Analysis/Commerce		
134	[redacted] NIO/SESA	8 Sep 77	STATINTL
135	State/AID - Conchita Spriggs	9 Sep 77	STATINTL
136	[redacted] OTR	15 Sep 77	20 Sept 77
137	[redacted]	15 Sep 77	
			STATINTL
138	[redacted] OCR/DSB	16 Sept 77	
139	OER/U EE (LYNN)	16 Sept 77	STATINTL
140	[redacted], DCD via OCR/DSB	19 Sept	STATINTL
136	Mr. William Des Rochers	22 Sept 77	
	Office of International Trade Policy		
	Industrial Nations Division		
	Dept of Commerce		
	Rm 2053		
145	[redacted] DCD via OCR/DSB	30 Sept 77	STATINTL
165	[illegible]/S/TM	20 Oct 77	
141-143	[redacted] I/JP	20 Oct 77	STATINTL
144	[redacted] OTR/IS7B	2 Nov 77	STATINTL
	716 Cof C		
24	[redacted] OER/D/ED	7 Nov 77	
193	[redacted] RD	11 Nov 77	
	via OCR/DSB		
153	[redacted]	28 Nov 77	STATINTL
157	OER/S/TM	6 Jan 78	
4	[redacted] DCD, 811, Key	9 Jan 78	STATINTL
146	Lt. Col. Don Mansfield/	25 May 78	30 May 78
	AF/XOCRM, 5D230, Pentagon		
150,151	OER/I/JP [redacted]	13 June 78	STATINTL
149	[redacted] Senate Select Committee	14 June 78	STATINTL
	via OCR/DSB		
5, 6, 9,	147, 148, 154-164, 166-170, 246-	294 DESTROYED	20 OCT 78

Dissemination List for OER Report, **ER 77-10517 (CONFIDENTIAL) Job 425-1194-77**

No. of Copies	Recipient
2	ICS Registry, Room BW09, Community Hq. Bldg., [redacted] STATINTL 1 - Chairman, COMIREX 1 - [redacted] HRC STATINTL
1	ADP/COMIREX, Room GE0442, Hq.
1	DDS&T Duty Officer, [redacted] Room 6F19, Hq. STATINTL
1	STATINTL [redacted], Room 7B24, Hq.
4	STATSPEC [redacted] Room 1005, Key Bldg.
7	STATINTL [redacted] Room GB38, Hq. 1 - [redacted] Rm. 2B1415
2	STATINTL OTR, Room 936, CoC 1 - II 1 - II/ITB
1	OWI, Room 1D0409, Hq.
1	D/OCR, Room 2E60, Hq.
5	OCR/ADD/Std. Dist., Room GF28, Hq.
11	OSR, Room 3F50, Hq.
1	DCD/SD, Room 811, Key Bldg.
3	OSI, Room 6F30, Hq.
1	STATINTL [redacted] Chief, PMB/PPG, Room 7G15, Hq.
4	OGCR, Room 1232, Ames Bldg.
3	NPIC/IB, Room 1S315, [redacted] STATINTL
3	OIA, Room 1S518, [redacted] STATINTL
2	O/Compt/R&E/HSG, Room 3E58, Hq.
1	DDI Plans and Programs Staff, Room 2F28, Hq.

Dissemination List for OER Report, ER 77-10517 (CONFIDENTIAL) Job 425-1194-77 (continued)

No. of Copies	Recipient
3	CRG, Room 7G15, Hq. 1 - Director 1 - PDB 1 - [redacted]
8	CPS, Room 7G15, Hq. 1 - Director 1 - SALT 1 - EXO 1 - CSO 1 - [redacted] 3 - Issues Officers
~~X~~ 7	PPG/R&D, Attn: [redacted] Room 7G15, Hq. for ORPA dissem -- 2 - Director 1 - ECS 2 - WE 2 - EA/P
27	OER, Room 4F21, Hq. 5 - ~~X~~ - DAC 1 - D/C 1 - D/U 13 ~~X~~ - ~~XX~~ (10-I/WE; 1-I/JP; 1-I/AM; 1-I/IE) 1 - D/D 1 - D/S
25	[redacted] PPG/R&D, Room 7G07, Hq.
1	Mrs. Cynthia Sutton, Federal Reserve Board, IIC, Rm. 518C, Watergate Office Bldg., 600 N.H.Ave.,N.W. for ~~X~~ R.J. Irvine
1	Department of Commerce, Control Intelligence Section, Rm. 1617M, Main Commerce Bldg. Attn: Mr. Don Weinig, Office of Econ. Research

STATINTL STATINTL STATINTL STATINTL

Dissemination List for OER Report, ER 77-10517 (CONFIDENTIAL) Job 425-1194-77 (continued)

No. of Copies	Recipient
7	National Security Agency, Attn: [redacted] STATINTL Room 2E024, Ft. Meade, Md.
1	National Defense University, Attn: Classified Library, Rm. 30, Ft. Leslie J. McNair, Washington, D. C. 20319
1	Mr. John D. Pafenberg, INA, Department of the Air Force, Room 4A882, Pentagon
31	Defense Intelligence, Agency, RDS-3C, A Bldg., AHS
6	Department of the Treasury, Office of Intelligence Support Dolores A. O'Dell, Rm. 4326, 15th St. & Pa. Ave., N.W.
~~XX~~ ~~XX~~ 33- (w/list) 23-~~XX~~--	Department of State, INR/CC, Room 6510, New State Bldg. suggested distribution for Embassies in Vienna, 3 cys for Brussels (1 cy for Ralph Moore, US Mission to NATO; 1 cy for US Mission to the European Communities), Copehnagen, London, Helsinki, 2cys for Paris (1 cy for US Mission to OECD), Bonn, Reykjavik, Dublin, Rome, Luxembourg, The Hague, Oslo, Lisbon, Madrid, Stockholm, Bern, Tokyo, Ottawa, and Ankara

PPG/R&D will make Elite Dissem

No. of Copies	Recipient
1	Finished Intelligence Project, Room 154, P&P Bldg.
1	Agency Archives
63	Agency Records Center

Total: 440 copies

MICROFICHE

1 - Camera original to Agency Archives
1 - Diaso copy to Agency Archives
1 - Silver Duplicate to OCR/CLD/DSB, Room 1H1129, Hq.
1 - Diaso copy to OGCR, Room 1232, Ames Bldg.
1 - Diaso copy to PPG/R&D, Room 7G07, Hq.

Project No. 43.07561

Title: OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios

Responsible Analyst and Branch: [redacted] (OER/DAC)

STATINTL

21

SOVIET BLOC

Bulgaria, Sofia
Czechoslovakia, Prague
Germany, Berlin
Hungary, Budapest
Poland, Warsaw
Romania, Bucharest
USSR, Moscow

EUROPE

✓ Austria, Vienna
3 cys ✓ Belgium, Brussels
(1 copy of all reports for Ralph Moore, US Mission to NATO)
(1 copy for US Mission to the European Communities)
✓ Denmark, Copenhagen
✓ England, London
✓ Finland, Helsinki
✓ * France, Paris
✓ Germany, Bonn
Munich
✓ Iceland, Reykjavik
✓ Ireland, Dublin
✓ Italy, Rome
✓ Luxembourg, Luxembourg
Malta, Velletta
✓ Netherlands, The Hague
✓ Norway, Oslo
✓ Portugal, Lisbon
✓ Spain, Madrid
✓ Sweden, Stockholm
✓ Switzerland, Bern
Geneva
Zurich
Yugoslavia, Belgrade
✓ X France, Paris, US Mission to OECD

PACIFIC

Australia, Canberra
Melbourne
Philippines, Manila
New Zealand, Wellington

FAR EAST

Peking, PRC
Burma, Rangoon
Formosa, Taipei
* Hong Kong
Indonesia, Jakarta
✓ Japan, Tokyo
Korea, Seoul
Laos, Vientiane
Malaysia, Kuala Lumpur
Singapore
Thailand, Bangkok
(2 cys - 1 cy for US Rep to SEATO)

✓ CANADA, OTTAWA

* if report is on China

Hong Kong
1 - Mr. Cross
1 - Economic Section
1 - Treasury Rep
(all via State)

OVER

(see reverse side)

AFRICA

Algeria, Algiers
Botswana, Gaberones
Burundi, Bujumbura
Cameroun, Yaounde
Central African Republic, Bangui
Chad, Fort Lamy
Zaire, Kinshasa
Dahomey, Cotonou
Ethopia, Addis Ababa
Gabon, Libreville
Gambia, Bathurst
Ghana, Accra
Guinea, Conakry
Ivory Coast, Abidjan
Kenya, Nairobi
Lesotho, Maseru
Liberia, Monrovia
Libya, Tripoli
Malagasy Republic, Tananarive
Mali, Bamako
Malawi, Blantyre
Mauritania, Novakchott
Mauritius, Port Louis
Morocco, Rabat
Mozambique, Lourenco Marques
Niger, Niamey
Nigeria, Lagos
Rhodesia, Salisbury
Rawanda, Kigali
Senegal, Dakar
Sierra Leone, Free Town
Somalia, Mogadiscio
South Africa, Pretoria
Sudan, Khartoum
Swaziland, Mbabane
Tanzania, Dar es Salaam
Togo, Lome
Tunisia, Tunis
Uganda, Kampala
Upper Volta, Ouagadougou
Zambia, Lusaka

NEAR EAST AND SOUTH ASIA

Afghanistan, Kabul
Bangladesh, Dacca
Ceylon, Colombo
Cyprus, Nicosia
Egypt, Cairo
Greece, Athens
India, New Delhi
Iran, Tehran
Iraq, Baghdad
Israel, Tel Aviv
Jordan, Amman
Kuwait, Kuwait
Lebanon, Beirut
Nepal, Katmandu
Pakistan, Islamabad
Qatar, Doha
Saudi Arabia, Jidda
South Yemen, Aden
Syria, Damascus
Turkey, Ankara
UAE, Abu Dhabi

ARA

Argentina, Buenos Aires
Bahamas, Nassau
Barbados, Bridgetown
Bolivia, La Paz
Brazil, Rio de Janeiro
Chile, Santiago
Colombia, Bogota
Costa Rica, San Jose
Dominican Republic, Santo Domingo
Ecuador, Quito
El Salvador, San Salvador
Guatemala, Guatemala
Guyana, Georgetown
Haiti, Port au Prince
Honduras, Tegucigalpa
Jamaica, Kingston
Mexico, Mexico City
Nicaragua, Managua
Panama, Panama
Paraguay, Asuncion
Peru, Lima
Trinidad, Port of Spain
Uruguay, Montevideo
Venezuela, Caracas

FOR OFFICIAL USE ONLY

Project No. 43.07561

Title: OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios

Responsible Analyst and Branch: [redacted] /OER

STATINTL

23 (21)

SOVIET BLOC

Bulgaria, Sofia
Czechoslovakia, Prague
Germany, Berlin
Hungary, Budapest
Poland, Warsaw
Romania, Bucharest
USSR, Moscow

EUROPE

✓Austria, Vienna
3 cys ✓Belgium, Brussels
(1 copy of all reports for Ralph Moore, US Mission to NATO)
(1 copy for US Mission to the European Communities)
✓Denmark, Copenhagen
✓England, London
✓Finland, Helsinki
2 cys ✓ * France, Paris (1-OECD)
✓Germany, Bonn
Munich
✓Iceland, Reykjavik
✓Ireland, Dublin
✓Italy, Rome
✓Luxembourg, Luxembourg
Malta, Velletta
✓Netherlands, The Hague
✓Norway, Oslo
✓Portugal, Lisbon
✓Spain, Madrid
✓Sweden, Stockholm
✓Switzerland, Bern
Geneva
Zurich
Yugoslavia, Belgrade
* France, Paris, US Mission to OECD

PACIFIC

Australia, Canberra
Melbourne
Philippines, Manila
New Zealand, Wellington

FAR EAST

Peking, PRC
Burma, Rangoon
Formosa, Taipei
* Hong Kong
Indonesia, Jakarta
✓Japan, Tokyo
Korea, Seoul
Laos, Vientiane
Malaysia, Kuala Lumpur
Singapore
Thailand, Bangkok
(2 cys - 1 cy for US Rep to

✓CANADA, OTTAWA

* if report is on Ch

Hong Kong
1 - Mr. Cross
1 - Economic Se
1 - Treasury R
(all via Sta

[OVER]

(see reverse s

AFRICA

Algeria, Algiers
Botswana, Gaberones
Burundi, Bujumbura
Cameroun, Yaounde
Central African Republic, Bangui
Chad, Fort Lamy
Zaire, Kinshasa
Dahomey, Cotonou
Ethopia, Addis Ababa
Gabon, Libreville
Gambia, Bathurst
Ghana, Accra
Guinea, Conakry
Ivory Coast, Abidjan
Kenya, Nairobi
Lesotho, Maseru
Liberia, Monrovia
Libya, Tripoli
Malagasy Republic, Tananarive
Mali, Bamako
Malawi, Blantyre
Mauritania, Novakchott
Mauritius, Port Louis
Morocco, Rabat
Mozambique, Lourenco Marques
Niger, Niamey
Nigeria, Lagos
Rhodesia, Salisbury
Rawanda, Kigali
Senegal, Dakar
Sierra Leone, Free Town
Somalia, Mogadiscio
South Africa, Pretoria
Sudan, Khartoum
Swaziland, Mbabane
Tanzania, Dar es Salaam
Togo, Lome
Tunisia, Tunis
Uganda, Kampala
Upper Volta, Ouagadougou
Zambia, Lusaka

NEAR EAST AND SOUTH ASIA

Afghanistan, Kabul
Bangladesh, Dacca
Ceylon, Colombo
Cyprus, Nicosia
Egypt, Cairo
Greece, Athens
India, New Delhi
Iran, Tehran
Iraq, Baghdad
Israel, Tel Aviv
Jordan, Amman
Kuwait, Kuwait
Lebanon, Beirut
Nepal, Katmandu
Pakistan, Islamabad
Qatar, Doha
Saudi Arabia, Jidda
South Yemen, Aden
Syria, Damascus
Turkey, Ankara
UAE, Abu Dhabi

ARA

Argentina, Buenos Aires
Bahamas, Nassau
Barbados, Bridgetown
Bolivia, La Paz
Brazil, Rio de Janeiro
Chile, Santiago
Colombia, Bogota
Costa Rica, San Jose
Dominican Republic, Santo Domin
Ecuador, Quito
El Salvador, San Salvador
Guatemala, Guatemala
Guyana, Georgetown
Haiti, Port au Prince
Honduras, Tegucigalpa
Jamaica, Kingston
Mexico, Mexico City
Nicaragua, Managua
Panama, Panama
Paraguay, Asuncion
Peru, Lima
Trinidad, Port of Spain
Uruguay, Montevideo
Venezuela, Caracas

(COPY)

MEMORANDUM FOR:

Mr. Harold H. Saunders
Director
Bureau of Intelligence
and Research
Department of State

Attached is your personal copy of our memorandum, "OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios," ER 77-10517, CONFIDENTIAL.

[redacted]

STATINTL

MAURICE C. ERNST
Director of Economic Research
Central Intelligence Agency

(DATE)
29 AUG 1977

28 Ambassador Henry Owen
Room 380
Executive Office Bldg.

~~Mr. Ernest H. Preeg~~
~~Executive Director~~
~~Economic Policy Group~~
~~Room 425~~
~~Executive Office Bldg.~~

29 Mr. James R. Schlesinger
Assistant to the President
The White House

30 Mr. William G. Hyland
Senior Staff Member
National Security Council
Executive Office Bldg.

31 Mr. Michael H. Armacost
Staff Member
National Security Council
Executive Office Bldg.

32 Mr. Robert Hormats
Senior Staff Member
National Security Council
Executive Office Bldg.

33 The Honorable Charles L. Schultze
Chairman
Council of Economic Advisers
Executive Office Bldg.

34 The Honorable William Nordhaus
Member Designate
Council of Economic Advisers
Executive Office Bldg.

35 The Honorable Lyle E. Gramley
Member
Council of Economic Advisers
Executive Office Bldg.

36 Mr. Peter G. Gould
Special Assistant to the Chairman
Council of Economic Advisers
Executive Office Bldg.

37 Mr. Jeffrey R. Shafer
Senior Staff Economist (International)
Council of Economic Advisers
Executive Office Building

38 Ambassador Robert S. Strauss
Special Representative for
Trade Negotiations
Executive Office Bldg.

39 Mr. Allan W. Wolff
Deputy Special Representative
for Trade Negotiations
Executive Office Bldg.

40 Mr. Vincent Clephas
Executive Assistant to the Special
Representative for Trade Negoti-
ations
Executive Office Bldg.

41 Mr. Edward G. Sanders
Deputy Associate Director
International Affairs Division
Office of Management and Budget
New Executive Office Bldg.

42 The Honorable Richard Cooper
Under Secretary for Economic Affairs
Department of State

43 Ms. Jessica P. Einhorn
Special Assistant
Under Secretary for
Economic Affairs
Department of State

44 Dr. Stanley Black
Special Assistant
Under Secretary for
Economic Affairs
Department of State

45 The Honorable Anthony Lake
Director
Policy Planning Staff
Department of State

46 Mr. Phillip R. Trimble
Assistant Legal Adviser
Economic and Business Affairs
Department of State

47 Mr. David A. Gantz
Assistant Legal Adviser
European Affairs
Department of State

48 The Honorable Richard Holbrooke
Assistant Secretary
Bureau of East Asian and
Pacific Affairs
Department of State

49 Mr. Erland Heginbotham
Deputy Assistant Secretary
Bureau of East Asian and
Pacific Affairs
Department of State

50 Mr. William H. Gleysteen, Jr.
Deputy Assistant Secretary
Bureau of East Asian and
Pacific Affairs
Department of State

51 Mr. Anthony Geber
Director, Office of Economic Policy
Bureau of East Asian and
Pacific Affairs
Department of State

52 Mr. William C. Sherman
Country Director, Japan
Bureau of East Asian and
Pacific Affairs
Department of State

53 The Honorable George S. Vest
Assistant Secretary
Bureau of European Affairs
Department of State

54 Mr. Richard D. Vine
Deputy Assistant Secretary
for Canadian, Central European
and Northern European Affairs
Bureau of European Affairs
Department of State

55 Mr. Robert Barbour
Deputy Assistant Secretary
Bureau of European Affairs
Department of State

56 Mr. John H. Rouse, Jr.
Director, Office of
Canadian Affairs
Bureau of European Affairs
Department of State

57 Mr. William Woessner
Director, Office of Central
European Affairs
Bureau of European Affairs
Department of State

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

58 Mr. John J. Crowley, Jr.
Director, Office of Northern
European Affairs
Bureau of European Affairs
Department of State

59 Mr. Anthony C. Albrecht
Director, Office of OECD, European
Community and Atlantic Political-
Economic Affairs
Bureau of European Affairs
Department of State

60 Mr. Nelson C. Ledsky
Director, Office of Southern
European Affairs
Bureau of European Affairs
Department of State

61 Mr. Edward M. Rowell
Director, Office of Western
European Affairs
Bureau of European Affairs
Department of State

62 The Honorable Julius L. Katz
Assistant Secretary
Bureau of Economic and
Business Affairs
Department of State

63 Mr. Paul Boeker
Deputy Assistant Secretary
Bureau of Economic and
Business Affairs
Department of State

64 Mr. Charles F. Meissner
Deputy Assistant Secretary
International Finance and
Development
Bureau of Economic and
Business Affairs
Department of State

65 Mr. William G. Barraclough
Deputy Assistant Secretary
International Trade Policy
Bureau of Economic and
Business Affairs
Department of State

66 Mr. Stephen Bosworth
Deputy Assistant Secretary
International Resources and
Food Policy
Bureau of Economic and
Business Affairs
Department of State

67 Mr. Harold H. Saunders
Director
Bureau of Intelligence and Research
Department of State

68 Mr. Herbert Horowitz
Director, Office of Research and
Analysis for East Asia and
Pacific
Bureau of Intelligence and Research
Department of State

69 Mr. George S. Harris
Director, Office of Research and
Analysis for Western Europe
Bureau of Intelligence and Research
Department of State

70 Mr. Michael E. Ely
Director, Office of Economic
Research and Analysis
Bureau of Intelligence and Research
Department of State

71 Ms. Margaret B. Dray
Chief, Regional Economic Division
Office of Economic Research and Analysis
Bureau of Intelligence and Research
Department of State

72 The Honorable Robert Carswell
Deputy Secretary of the Treasury
Department of the Treasury

73 The Honorable Anthony M. Solomon
Under Secretary for Monetary Affairs
Department of the Treasury

74 The Honorable C. Fred Bergsten
Assistant Secretary for
International Affairs
Department of the Treasury

75 Mr. Gary Hufbauer
Deputy Assistant Secretary for Trade
and Raw Materials Policy
Department of the Treasury

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

76 Mrs. Helen B. Junz
Deputy Assistant Secretary
Commodities and Natural Resources
Department of the Treasury

77 Mr. F. Lisle Widman
Deputy Assistant Secretary
International Monetary Affairs
Department of the Treasury

78 Mr. Donald Syvrud
Director, Office of International
Monetary Affairs
Department of the Treasury

79 The Honorable Daniel H. Brill
Assistant Secretary for
Economic Policy
Department of the Treasury

80 Mr. Roger E. Shields
Deputy Assistant Secretary for
International Economic Research
Department of the Treasury

81, 82 Mr. J. Foster Collins
Special Assistant to the Secretary
Department of the Treasury

83 Mr. Sam Y. Cross
US Executive Director
International Monetary Fund

84 The Honorable Robert T. Hall
Assistant Secretary for
Economic Development
Department of Commerce

85 The Honorable Jerry J. Jasinowski
Assistant Secretary for Policy
Department of Commerce

86 Ms. Courtenay M. Slater
Chief Economist of the Department
Department of Commerce

87 The Honorable Frank Weil
Assistant Secretary for Domestic
and International Business
Department of Commerce

88 Mr. S. Stanley Katz
Deputy Assistant Secretary
Bureau of International Economic
Policy and Research
Department of Commerce

89 Mr. W. Dean Moran
Deputy Assistant Secretary
Domestic and International Business
Department of Commerce

90 Mr. Robert G. Shaw
Deputy Assistant Secretary
Bureau of International Commerce
Department of Commerce

91-93 Mr. David N. Laux
Room 3520, Main Commerce
Department of Commerce

94 Mr. Frank Vargo
Director, Office of Economic Research
Domestic and International
Business Administration
Department of Commerce

95 The Honorable Arthur F. Burns
Chairman
Board of Governors
Federal Reserve System

96 Mr. Stephen Axelrod
Staff Director for Monetary Policy
Division of International Finance
Board of Governors
Federal Reserve System

Edwin M. Truman
97 Mr. ~~John E. Reynolds~~
Director
Division of International Finance
Board of Governors
Federal Reserve System

98 Mr. Larry Promisel
Chief, World Payments and Activity Section
Board of Governors
Federal Reserve System

99 Mr. John L. Moore
President and Chairman
Export-Import Bank of the
United States

100 Dr. Raymond J. Albright
Vice President for Europe
Export-Import Bank of the
United States

101 Mr. Stephen H. Goodman
Vice President for Policy
Analysis
Export-Import Bank of the
United States

102 Mr. J. Robinson West
Deputy Assistant Secretary
Economic Affairs
International Security Affairs
Department of Defense

(COPY)

MEMORANDUM FOR:
Mr. Harold H. Saunders
Director
Bureau of Intelligence
and Research
Department of State

Attached is your personal copy of our memorandum, "OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios," ER 77-10517, CONFIDENTIAL.

[redacted]

STATINTL

MAURICE C. ERNST
Director of Economic Research
Central Intelligence Agency

(DATE)
29 AUG 1977

Ambassador Henry Owen
Room 380
Executive Office Bldg.

~~Mr. Ernest H. Preeg~~
~~Executive Director~~
~~Economic Policy Group~~
~~Room 425~~
~~Executive Office Bldg.~~

Mr. James R. Schlesinger
Assistant to the President
The White House

Mr. William G. Hyland
Senior Staff Member
National Security Council
Executive Office Bldg.

Mr. Michael H. Armacost
Staff Member
National Security Council
Executive Office Bldg.

Mr. Robert Hormats
Senior Staff Member
National Security Council
Executive Office Bldg.

The Honorable Charles L. Schultze
Chairman
Council of Economic Advisers
Executive Office Bldg.

The Honorable William Nordhaus
Member Designate
Council of Economic Advisers
Executive Office Bldg.

The Honorable Lyle E. Gramley
Member
Council of Economic Advisers
Executive Office Bldg.

Mr. Peter G. Gould
Special Assistant to the Chairman
Council of Economic Advisers
Executive Office Bldg.

Ambassador Robert S. Strauss
Special Representative for
Trade Negotiations
Executive Office Bldg.

Mr. Jeffrey R. Shafer
Senior Staff Economist (International)
Council of Economic Advisers
Executive Office Building

Mr. Allan W. Wolff
Deputy Special Representative
for Trade Negotiations
Executive Office Bldg.

Mr. Vincent Clephas
Executive Assistant to the Special
Representative for Trade Negoti-
ations
Executive Office Bldg.

Mr. Edward G. Sanders
Deputy Associate Director
International Affairs Division
Office of Management and Budget
New Executive Office Bldg.

The Honorable Richard Cooper s
Under Secretary for Economic Affair
Department of State

Ms. Jessica P. Einhorn
Special Assistant
Under Secretary for
Economic Affairs
Department of State

Dr. Stanley Black
Special Assistant
Under Secretary for
Economic Affairs
Department of State

The Honorable Anthony Lake
Director
Policy Planning Staff
Department of State

Mr. Phillip R. Trimble
Assistant Legal Adviser
Economic and Business Affairs
Department of State

Mr. David A. Gantz
Assistant Legal Adviser
European Affairs
Department of State

The Honorable Richard Holbrooke
Assistant Secretary
Bureau of East Asian and
Pacific Affairs
Department of State

Approved For Release 2001/03/22 : CIA-RDP79B00457A000700130001-2

Mr. Erland Heginbotham
Deputy Assistant Secretary
Bureau of East Asian and
Pacific Affairs
Department of State

Mr. William H. Gleysteen, Jr.
Deputy Assistant Secretary
Bureau of East Asian and
Pacific Affairs
Department of State

Mr. Anthony Geber
Director, Office of Economic Policy
Bureau of East Asian and
Pacific Affairs
Department of State

Mr. William C. Sherman
Country Director, Japan
Bureau of East Asian and
Pacific Affairs
Department of State

The Honorable George S. Vest
Assistant Secretary
Bureau of European Affairs
Department of State

Mr. Richard D. Vine
Deputy Assistant Secretary
for Canadian, Central European
and Northern European Affairs
Bureau of European Affairs
Department of State

Mr. Robert Barbour
Deputy Assistant Secretary
Bureau of European Affairs
Department of State

Mr. John H. Rouse, Jr.
Director, Office of
Canadian Affairs
Bureau of European Affairs
Department of State

Mr. William Woessner
Director, Office of Central
European Affairs
Bureau of European Affairs
Department of State

Mr. John J. Crowley, Jr.
Director, Office of Northern
European Affairs
Bureau of European Affairs
Department of State

Mr. Anthony C. Albrecht
Director, Office of OECD, European
Community and Atlantic Political-
Economic Affairs
Bureau of European Affairs
Department of State

Mr. Nelson C. Ledsky
Director, Office of Southern
European Affairs
Bureau of European Affairs
Department of State

Mr. Edward M. Rowell
Director, Office of Western
European Affairs
Bureau of European Affairs
Department of State

The Honorable Julius L. Katz
Assistant Secretary
Bureau of Economic and
Business Affairs
Department of State

Mr. Paul Boeker
Deputy Assistant Secretary
Bureau of Economic and
Business Affairs
Department of State

Mr. Charles F. Meissner
Deputy Assistant Secretary
International Finance and
Development
Bureau of Economic and
Business Affairs
Department of State

Mr. William G. Barraclough
Deputy Assistant Secretary
International Trade Policy
Bureau of Economic and
Business Affairs
Department of State

Mr. Stephen Bosworth
Deputy Assistant Secretary
International Resources and
Food Policy
Bureau of Economic and
Business Affairs
Department of State

Mr. Harold H. Saunders
Director
Bureau of Intelligence and Research
Department of State

Mr. Herbert Horowitz
Director, Office of Research and
Analysis for East Asia and
Pacific
Bureau of Intelligence and Research
Department of State

Mr. George S. Harris
Director, Office of Research and
Analysis for Western Europe
Bureau of Intelligence and Research
Department of State

Mr. Michael E. Ely
Director, Office of Economic
Research and Analysis
Bureau of Intelligence and Research
Department of State

The Honorable Robert Carswell
Deputy Secretary of the Treasury
Department of the Treasury

The Honorable Anthony M. Solomon
Under Secretary for Monetary Affairs
Department of the Treasury

The Honorable C. Fred Bergsten
Assistant Secretary for
International Affairs
Department of the Treasury

Mr. Gary Hufbauer
Deputy Assistant Secretary for Trade
and Raw Materials Policy
Department of the Treasury

Ms. Margaret B. Dray
Chief, Regional Economic Division
Office of Economic Research and
Analysis
Bureau of Intelligence and Research
Department of State

Mrs. Helen B. Junz
Deputy Assistant Secretary
Commodities and Natural Resources
Department of the Treasury

Mr. F. Lisle Widman
Deputy Assistant Secretary
International Monetary Affairs
Department of the Treasury

Mr. Donald Syvrud
Director, Office of International
  Monetary Affairs
Department of the Treasury

The Honorable Daniel H. Brill
Assistant Secretary for
  Economic Policy
Department of the Treasury

Mr. Roger E. Shields
Deputy Assistant Secretary for
  International Economic Research
Department of the Treasury

Mr. J. Foster Collins
Special Assistant to the Secretary
Department of the Treasury

Mr. Sam Y. Cross
US Executive Director
International Monetary Fund

The Honorable Robert T. Hall
Assistant Secretary for
  Economic Development
Department of Commerce

The Honorable Jerry J. Jasinowski
Assistant Secretary for Policy
Department of Commerce

Ms. Courtenay M. Slater
Chief Economist of the Department
Department of Commerce

The Honorable Frank Weil
Assistant Secretary for Domestic
  and International Business
Department of Commerce

Mr. S. Stanley Katz
Deputy Assistant Secretary
Bureau of International Economic
Policy and Research
Department of Commerce

Mr. W. Dean Moran
Deputy Assistant Secretary
Domestic and International Business
Department of Commerce

Mr. Robert G. Shaw
Deputy Assistant Secretary
Bureau of International Commerce
Department of Commerce

Mr. David N. Laux
Room 3520, Main Commerce
Department of Commerce

Mr. Frank Vargo
Director, Office of Economic Research
Domestic and International
Business Administration
Department of Commerce

The Honorable Arthur F. Burns
Chairman
Board of Governors
Federal Reserve System

Mr. Stephen Axelrod
Staff Director for Monetary Policy
Division of International Finance
Board of Governors
Federal Reserve System

Mr. Edwin M. Truman
Director
Division of International Finance
Board of Governors
Federal Reserve System

Mr. John L. Moore
President and Chairman
Export-Import Bank of the
United States

Mr. Larry Promisel
Chief, World Payments and Activity
Section
Board of Governors
Federal Reserve System

Dr. Raymond J. Albright
Vice President for Europe
Export-Import Bank of the
United States

Mr. Stephen H. Goodman
Vice President for Policy
Analysis
Export-Import Bank of the
United States

Mr. J. Robinson West
Deputy Assistant Secretary
Economic Affairs
International Security Affairs
Department of Defense

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM

	UNCLASSIFIED		CONFIDENTIAL		SECRET

OFFICIAL ROUTING SLIP

TO	NAME AND ADDRESS	DATE	INITIALS
1	Ch, DAC	25 Aug	
2	Ch, D/I	8/26	RS
3	D/OER		
4	EO/ER	26 Aug	
5	ASA/ER	8/26	
6	PPG/R&D		

	ACTION		DIRECT REPLY		PREPARE REPLY
	APPROVAL		DISPATCH		RECOMMENDATION
	COMMENT		FILE		RETURN
	CONCURRENCE		INFORMATION		SIGNATURE

Remarks: No foreign distri

Any additions or deletions to the attached suggested elite dissem?

Phil - Could you see that:
Jeff Schoefer, CEA
Larry Promisel
John Wilson } FRB
Bob Fauver, Treasury
~~Margaret Dray~~, INR
get copies. Maurice doesn't have to sign off on these, however [redacted]

Done 8/26

FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO.	DATE
[redacted] DSA/ER	8/25/77

	UNCLASSIFIED		CONFIDENTIAL		SECRET

FORM NO. 237 Use previous editions ☆USGPO: 1976 — 202-953 (40)
1-67

STATINTL

STATINTL

Elite for — OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios

68

WHITE HOUSE

plus 3

Ambassador Henry Owen, Rm. 380, OEOB
Ernest H. Preeg, Exec. Dir./Econ. Policy Gp.
James Schlesinger, Asst. to the President

NSC:

William J. Hyland, Sr. Staff Mbr.
Michael H. Armacost, Staff Mbr.
Robert D. Hormats, Sr. " "

CEA: Jeffery Shafer, Sr. Staff Economist ADD
Schultze, Chmn.
Nordhaus, Mbr.
Gramley, Mbr.
Gould, Spec. Asst.
~~Shaefer, Senior Staff Member~~

STR:

Robert S. Strauss, the STR
Allan W. ~~Wol~~ Wolff, Dep. STR
Vincent Clephas, Spec. Asst.
~~Doral Cooper, Staff member~~

OMB:

Sanders

STATE

U. Sec/Econ Affs:

Cooper, U. Sec.
Jessica P. Einhorn, Spec. Asst.
Dr. Stanley Black, Spec. Asst.

 2

S/P:
Lake, Dir.

Legal Adviser:
Philip R. Trimble, Asst. Legal Adviser
David A. Gantz, " " "

EA:
Richard Holbrooke, Asst. Sec.
Erland Heginbotham, Dep. Asst. Sec.
William H. Gleysteen, Jr., Dep. Asst. Sec.
Anthony Geber, Dir/Off. of Econ. Policy
William C. Sherman, Dir/Japan

EUR:
Vest, Asst. Sec.
Vine, Dep. Asst. Sec.
Barbour, Dep. Asst. Sec.
Rouse, Dir/Off. of Canadian Affs.
William Woessner, Dir/Off. of Central Eur. Affs.
Crowley, Dir/Off. of ~~Nor~~ Northern Eur. Affs.
Albrecht, Dir/Off. of OECD, EC, etc.
Nelson Ledsky, Dir/Off. of Southern Eur. Affs.
Rowell, Dir/Off. ~~of South~~ of Western Eur. Affs.

EB:
Katz, Asst. Sec.
Boeker, Dep. Asst. Sec.
Meissner, Dep. Asst. Sec./Int'l. Finance & Development
Barraclough, Dep. Asst. Sec./Int'l. Trade Policy
Bosworth, Dep. Asst. Sec./Int'l. Resources & Food Policy

 3-

INR:

Saunders, Dir.
Horowitz, Dir/R&A for EA & Pacific
Harris, Dir/R&A for Western Eur
Ely, Dir/REC
Margaret Dray, Ch/Regional Economic Division ADD

TREASURY

Robert Carswell, Dep. Sec.
Solomon, U.Sec./Monetary Affs.
Bergsten, Asst. Sec/Int'l. Affs.
Hufbauer, Dep. Asst Sec/Trade & Investment Policy
Junz, Dep. Asst Sec/Commodities & Natural Resources
Widman, Dep. Asst Sec/Int'l. Monetary Affs
Syvrud, Dir/Off. of Int'l. " "
Brill, Asst. Sec/Econ. Policy
Shields, Dep. Asst. Sec/Int'l. Economic Research
Foster Collins
Sam Y. Cross, U.S. Exec. Dir/IMF

COMMERCE

VIA LAUX

Robert T. Hall, Asst. Sec/Econ. Development
Jasinowski, Asst. Sec/Policy
Courtenay M. Slater, Chief Economist
Frank A. Weil, Asst. Sec/Domestic & Int'l. Business
Katz, Dep. Asst Sec/Int'l. Econ. Policy & Research
W. Dean ~~Mor~~ Moran, Dep. Asst. Sec
Robert G. Shaw, Dep. Asst. Sec./Int'l. Commerce
[David Laux, 3 cys]

FRS

Arthur F. Burns, Chmn.
Stephen H. Axilrod, Staff Dir. for Monetary Policy
John E. Reynolds, Dir/Div of Int'l Finance
ADD Larry Promisel, Chief World Payments & Activity Section
Watergate, Rm 519

EX-IM BANK

John L. Moore, President & Chmn.
Albright, Vice Pres. / Europe & Canada
Goodman, " " / Policy Analysis

DoD:

J. Robinson West, Dep. Asst. Sec. / Int'l Econ. Affs, ISA

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM					
	UNCLASSIFIED		CONFIDENTIAL		SECRET

OFFICIAL ROUTING SLIP

TO	NAME AND ADDRESS	DATE	INITIALS
1	Ch, DAC		
2	Ch, D/I		
3	D/OER		
4	EO/ER		
5	ASA/ER		
6	PPG/R&D		

	ACTION		DIRECT REPLY		PREPARE REPLY
	APPROVAL		DISPATCH		RECOMMENDATION
	COMMENT		FILE		RETURN
	CONCURRENCE		INFORMATION		SIGNATURE

Remarks:

Any additions or deletions to the attached suggested elite dissem?

FOLD HERE TO RETURN TO SENDER	
FROM: NAME, ADDRESS AND PHONE NO.	DATE
[redacted] DSA/ER x9002	8/25/77

	UNCLASSIFIED		CONFIDENTIAL		SECRET

STATINTL

FORM NO. 237 Use previous editions
1-67

☆USGPO: 1976 — 202-953 (40)

Elite for

OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios

68

WHITE HOUSE

4 Ambassador Henry Owen, Rm. 380, OEOB
11 Ernest H. Preeg, Exec. Dir./Econ. Policy Gp.
3 James Schlesinger, Asst. to the President

NSC:

19 William J. Hyland, Sr. Staff Mbr.
15 Michael H. Armacost, Staff Mbr.
18 Robert D. Hormats, Sr. " "

CEA:

45 Schultze, Chmn.
47 Nordhaus, Mbr.
46 Gramley, Mbr.
48 Gould, Spec. Asst.

STR:

52 Robert S. Strauss, The STR
53 Allan W. ~~Wol~~ Wolff, Dep. STR 2
54 Vincent Clephas, Spec. Asst.

OMB:

74 Sanders 2

STATE

U. Sec/Econ Affs:

172 Cooper, U. Sec.
Jessica P. Einhorn, Spec. Asst. p. 83
Dr. Stanley Black, Spec. Asst. p. 83

[redacted]

S/P:
161 Lake, Dir.

Legal Adviser:
Philip R. Trimble, Asst. Legal Adviser
David A. Gantz, " " "

(p. 88)

EA:
193 Richard Holbrooke, Asst. Sec.
196 Erland Heginbotham, Dep. Asst. Sec.
198 William H. Gleysteen, Jr., Dep. Asst. Sec.
199 Anthony Geber, Dir/Off. of Econ. Policy
202 William C. Sherman, Dir/Japan

EUR:
215 Vest, Asst. Sec.
214 Vine, Dep. Asst. Sec.
216 Barbour, Dep. Asst. Sec.
226 Rouse, Dir/Off. of Canadian Affs.
225 William Woessner, Dir/Off. of Central Eur. Affs.
229 Crowley, Dir/Off. of ~~Not~~ Northern Eur. Affs.
231 Albrecht, Dir/Off. of OECD, EC, etc.
237 Nelson Ledsky, Dir/Off. of Southern Eur. Affs.
223 Rowell, Dir/Off. ~~of South~~ of Western Eur. Affs.

EB:
255 Katz, Asst. Sec.
276 Boeker, Dep. Asst. Sec.
256 Meissner, Dep. Asst. Sec./Int'l. Finance & Development
260 Barraclough, Dep. Asst. Sec./Int'l. Trade Policy
263 Bosworth, Dep. Asst. Sec/Int'l. Resources & Food Policy

INR:

280 Saunders, Dir.
284 Horowitz, Dir/R+A for EA + Pacific
283 Harris, Dir/R+A for Western Eur.
287 Ely, Dir/REC

TREASURY

602 Robert Carswell, Dep. Sec.
604 Solomon, U.Sec./Monetary Affs.
606 Bergsten, Asst. Sec/Int'l. Affs.
608 Hufbauer, Dep. Asst Sec/Trade + Investment Policy
627 Jung, Dep. Asst Sec/Commodities + Natural Resources
609 Widman, Dep. Asst Sec/Int'l. Monetary Affs.
625 Syvrud, Dir/Off. of Int'l. " "
611 Brill, Asst. Sec/Econ. Policy
610 Shields, Dep. Asst. Sec/Int'l. Economic Research
618 Foster Collins
658 Sam Y. Cross, U.S. Exec. Dir/IMF

COMMERCE

704 Robert T. Hall, Asst. Sec/Econ. Development
VIA 710 Jasinowski, Asst. Sec/Policy
Ms. Courtenay M. Slater, Chief Economist Business
LAUX 703 Frank A. Weil, Asst. Sec/Domestic + Int'l
706 Katz, Dep. Asst Sec/Int'l. Econ. Policy + Research
W. Dean ~~Mor~~ Moran, Dep. Asst. Sec.
709 Robert G. Shaw, Dep. Asst. Sec./Int'l. Commerce
754 [8 David Laux, 3 cys] 718 FRANK VARGO

FRS

636 Arthur F. Burns, Chmn.
641 Stephen H. Axilrod, Staff Dir. for Monetary Policy
639 John E. Reynolds, Dir/Div. of Int'l. Finance

[redacted]

EX-IM BANK

649 John L. Moore, President & Chmn.
650 Albright, Vice Pres. / Europe & Canada
652 Goodman, " " / Policy Analysis

DoD:

468 J. Robinson West, Dep. Asst. Sec. / Int'l Econ. Affs., ISA

[redacted]

Mr. Larry Promisel
Chief
World Payments and Economic
Activity Section
Watergate, Room 519

452-3712

ELITE

Robert Fauver
Senior International Economist,
Room 5050
OASIA
Main Treasury
15th & Penn NW
Wash DC 20220

Non-Elite

Senior Staff Economist

ELITE

Mr. Jeffrey Shafer
Council of Economic Advisers
OEB 20506
Room 311

395-5086

John Wilson
Office of Undersecretary
for Economic Affairs
Room 7245
Dept. of State

Non-Elite 632-4383